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United Nations Entity for Gender Equality and the Empowerment of Women

Financial report and audited financial statements

for the year ended 31 December 2014

and

Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 30 April 2015 from the Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors

Pursuant to financial rule 1202 of the United Nations Entity for Gender Equality and the Empowerment of Women, enclosed are the financial statements for the year ended 31 December 2014. These statements have been prepared and signed by the Director of Management and Administration a.i.

(*Signed*) Phumzile **Mlambo-Ngcuka**
Executive Director

Letter dated 30 June 2015 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women for the year ended 31 December 2014.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), which comprise the statement of financial position (statement I) as at 31 December 2014, the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the statement of cash flow (statement IV), the statement of comparison of budget and actual amounts (statement V), for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements

The Executive Director of UN-Women is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal controls as management deems necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence in respect of the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UN-Women as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of UN-Women that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the financial regulations and rules of UN-Women and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UN-Women.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Chapter II
Long-form report of the Board of Auditors

Summary

By its resolution 64/289, the General Assembly established the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). The objective of UN-Women since its establishment has been to build upon the foundations of its predecessor entities: the Office of the Special Adviser on Gender Issues and Advancement of Women, the Division for the Advancement of Women, the United Nations Development Fund for Women and the International Research and Training Institute for the Advancement of Women. The intention was to create an organization that truly reflected the ambition of the General Assembly, the aspirations of civil society and the demands and expectations of women, girls, boys and men around the world at the country level. The Board of Auditors noted that UN-Women spent $270.5 million against a total revenue of $332.9 million for the year ended 31 December 2014.

The Board of Auditors has audited the financial statements and reviewed the operations of UN-Women for the year ended 31 December 2014, in accordance with General Assembly resolution 74 (I) and in conformity with the International Standards on Auditing. The audit was carried out through field visits to the East and Southern Africa Regional Office in Nairobi, the multi-country office in New Delhi and country offices based in New Delhi, Brasilia, Bujumbura, Kathmandu and Lilongwe, as well as headquarters in New York.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The report has been discussed with UN-Women management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Women as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UN-Women operations under financial regulation 7.5 of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined the budget and funding situation, results-based management, accounts and financial management, programme, project and trust fund management, and information technology. The report also includes a brief commentary on the status of implementation of the recommendations of the previous year.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements of UN-Women for the year ended 31 December 2014. The Board's opinion is reflected in chapter I of the present report.

Overall conclusions

In 2014, the Board did not identify material deficiencies that affect its opinion on the Entity's financial statements. The Board noted that UN-Women has been progressing well on financial reporting since it adopted IPSAS in 2012. However, it noted that UN-Women remains underfunded compared with the agreed resource targets and start-up capital suggested by the Secretary-General, namely, $500 million annually. This level of total resources was considered the minimum critical funds required by UN-Women to implement its mandate.

Other areas that are in need of improvement include the management and monitoring of implementing partners and the management of programmes, projects and trust funds.

Key findings

The Board has identified a number of issues that require consideration by management to enhance the effectiveness of UN-Women operations. In particular, the Board highlights the following key findings:

Non-achievement of the set funding target

UN-Women has been setting its revenue budget below the recommended funding target of $500 million since its establishment in 2011 (see A/64/588). The Board noted that UN-Women has been unable to meet the funding target for each of those years,[a] with the exception of 2014, when the funding received exceeded the budget by 4 per cent. UN-Women attributed the difficulty in achieving the target to non-attainment of the volume of resources commensurate with the recognition and political commitment from Member States on which UN-Women capitalizes (for example, widening recognition of the importance of investing in gender equality) and the challenges associated with creating a space in national budgets for UN-Women in the various budgetary processes related to official development assistance.

Long-outstanding project advances

The Board noted outstanding advances[b] amounting to $18.39 million as at 31 December 2014.UN-Women attributed the deficiency to the delays by implementing partners in submitting the Funding Authorization and Certificate of Expenditures forms for validation of expenses in accordance with the requirement of the Programme and Operations Manual. The Board considers that the deficiency implies inadequate monitoring of advances to implementing partners.

Growing trend of provision for impairment of advances to implementing partners

The Board noted a significant growth in allowance for impairment of advances to implementing partners, from $0.50 million (1.10 per cent of the advance balance) in 2012 to $3.88 million (8.61 per cent of the total advance balance) in 2013. As at 31 December 2014, the figure was $5.99 million[c] or 14.46 per cent of the total

advance balance as at that date. The Board noted that the growing trend of provision for impairment of advances to implementing partners is mainly due to long-outstanding advances, which are caused by factors such as non-receipt of Funding Authorization and Certificate of Expenditures forms from implementing partners, and inadequate monitoring of implementing partners by field offices.

Recommendations

The Board has made several recommendations based on its audit, which are contained in the body of the report. The main recommendations are that UN-Women:

(a) **Identify new and strengthen current sources of non-core resources and modalities; and expand and deepen contributions from non-traditional donors, individual donors and UN-Women national committees;**

(b) **Enhance its accountability and monitoring of advances to implementing partners at the project level by verifying the correct use of the funds and the achievement of results and expected outputs; and identify problems and implement the necessary corrective actions with its partners with long-outstanding balances at the end of the period, including the recovery of such balances as deemed appropriate;**

(c) **Enhance its efforts in liquidating the long-outstanding advances with implementing partners; and ensure that adequate monitoring of implementing partners is conducted by the field offices.**

[a] $479 million: 2011, $350 million: 2012, $350 million: 2013 and $310 million: 2014.
[b] Issued to non-governmental organizations and Governments ($11.44 million), other United Nations agencies ($2.44 million) and trust funds ($4.51 million) between 2011 and 30 June 2014.
[c] Comprising advances ageing more than one year for trust funds and more than six months for non-governmental organizations and United Nations agencies.

Key facts

3,101	Number of projects
6	Regional offices
6	Multi-country offices
47	Country offices
1,683 staff	Employed by UN-Women
$332.88 million	Total revenue
$270.53 million	Total expenses
$62.35 million	Surplus for the year
$24.8 million	Reserves at 31 December 2014
$1.0 million	Field accommodation reserve
$322.82 million	Voluntary contributions mobilized in 2014 (2013: $275.42 million)
$63.8 million	After-service health insurance, repatriation benefits and death benefits liability as estimated and valued by the actuary at December 2014

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the year ended 31 December 2014 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations (ST/SGB/2003/7 and Amend.1), as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly, in all material respect, the financial position of UN-Women as at 31 December 2014 and the results of its operations and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the financial regulations and rules of UN-Women. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UN-Women operations under financial regulation 7.5 of the United Nations and financial rule 1202 of UN-Women. The General Assembly also requires the Board to follow up on previous recommendations and to report accordingly. The Board liaises with the internal audit unit in the planning of its audits in order to avoid duplication of effort and to determine the extent of reliance that can be placed on the latter's work.

4. The present report covers matters that the Board considers should be drawn to the attention of the General Assembly. The Board's report was discussed with UN-Women and management's views have been appropriately reflected.

B. Findings and recommendations

1. Previous recommendations

5. The Board noted that of the 34 recommendations that remained outstanding as at 31 December 2013, 27 (79 per cent) had been implemented and 7 (21 per cent) were under implementation. The Board considers that the Administration has taken positive action to resolve most of the fundamental concerns expressed in its previous report and that there is a satisfactory improvement in the implementation of the recommendations compared with previous years. The annex to the present report contains a detailed commentary on the status of previous recommendations.

6. The underimplemented recommendations are in respect of the following issues: delays in the financial closure of all operationally closed projects; absence of a risk management framework and policy and a risk register; long-outstanding

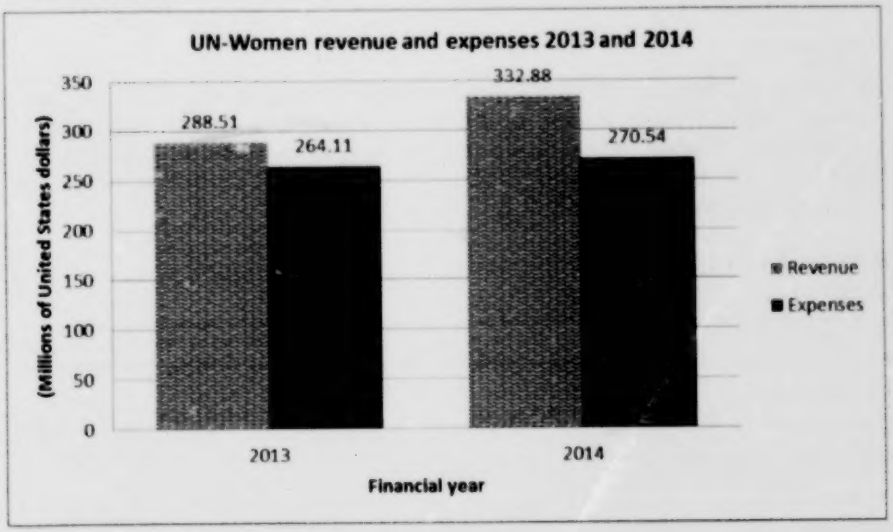
project advances; strengthening of resource mobilization activities; and inappropriate use of special service agreements.

2. Financial overview

7. For the year 2014, UN-Women had a total revenue of $332.88 million (2013: $288.5 million) and total expenses of $270.53 million (2013: $264.1 million), resulting in a surplus of $62.35 million in 2014. As at 31 December 2014, UN-Women had total assets of $427.3 million and total liabilities of $81.7 million. Of its total assets, $188.1 million, equivalent to 44 percent, represented balances in cash and cash-equivalent and short-term investments.

8. Current assets amounted to $239.3 million against current liabilities of $19.1 million, resulting in net current assets of $220.2 million. The significant excess of current assets over current liabilities demonstrated good short-term financial strength. A comparison of revenue and expenses for the financial years 2013 and 2014 is illustrated in figure II.I below.

Figure II.I
Financial performance pattern

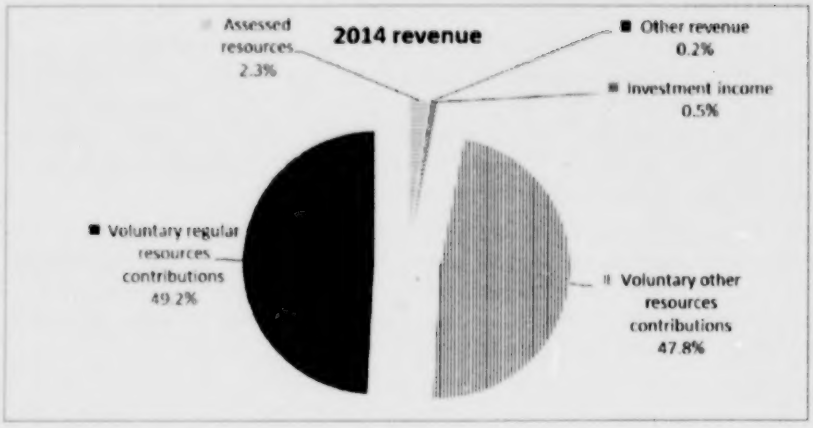


Source: Board's analysis of 2014 financial statements.

Sources of revenue

9. Of the reported revenue of $332.9 million (2013: $228.5 million), voluntary contributions amounted to $322.82 million (2013: $275.42 million), equivalent to 97 per cent of total revenue. The overall picture is that UN-Women has recorded a 17.21 per cent increase in voluntary contributions compared with the previous year. Figure II.II below illustrates the analysis of sources of revenue for 2014.

Figure II.II
Sources of revenue: financial year 2014
(Millions of United States dollars)



Source: Board's analysis of 2014 financial statements.

Ratio analysis

10. As at 31 December 2014, the net current assets balance was $220.2 million, resulting from current assets of $239.3 million and current liabilities of $19.1 million. Overall, the ratio analysis as per the table below indicates that UN-Women has a better liquidity position and can meet its short-term obligations with its most liquid assets.

Ratio analysis
(a high ratio is above 1)

Description of ratio	*31 December 2014*	*31 December 2013*
Current ratio[a]		
Current assets: current liabilities	12.55	8.9
Total assets: total liabilities[b]		
Assets: liabilities	5.23	4.7
Cash ratio[c]		
Cash plus investments: current liabilities	9.86	7.2
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	10.3	7.6

Source: Board's analysis of UN-Women financial statements as at 31 December 2014.
[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.
[b] A high ratio is a good indicator of solvency.
[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.
[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

3. Results-based management

Absence of baselines and targets in the annual workplan's results framework

11. Effective results-based management uses the annual workplan as an important tool to outline results such as impact, outcome and output of the work of an entity plus associated indicators and risks. In view of that, baselines and targets are needed against each indicator in the annual workplan so that an entity can set targets, measure progress, refine programmes and strategic plans and report effectively.

12. The Board noted an absence of baselines and targets on six impact areas in respect of the annual workplans reviewed at the UN-Women offices visited.[1] The analysis of the discrepancies noted is as follows:

(a) *East and Southern Africa Regional Office in Nairobi*: 4 out of 14 outputs for planned activities in the 2014 annual workplan had no baselines and 8 out of 14 planned activities also lacked targets;

(b) *Malawi country office*: two out of four outcomes in the 2014 annual workplan had no baselines and 13 out of 14 planned outputs in the 2014 development results framework had no baselines and targets;

(c) *Burundi country office*: the 2014 annual workplan lacked baseline data and targets on one output and one indicator.

13. UN-Women explained that the absence of baselines and targets is attributed to the non-availability of data at the time of the preparation of the annual workplan and concurred that baselines and targets must be established upon approval of the strategic note/annual workplan, as these will facilitate the measurement and assessment of progress in implementing the programmes.

14. The Board is of the view that the absence of baselines and targets for the indicators in the annual workplan implies that the resources were allocated without proper justification and may result in field offices failing to measure their annual performance.

15. **UN-Women agreed with the Board's recommendation that it ensure that (a) all relevant data are available at the time of the preparation of the annual workplan; and (b) all field offices establish baselines and targets for all expected outputs, outcomes and indicators in the annual workplan as required by the Programme and Operations Manual.**

4. Budget and funding situation

Non-achievement of the set funding target

16. The Secretary-General's comprehensive proposal for UN-Women (A/64/588) requires that the Entity set a funding target of $500 million annually.

17. The Board's review of integrated budget estimates for UN-Women for the bienniums 2012-2013 and 2014-2015 revealed that UN-Women has been setting internal revenue budgets below the recommended funding target of $500 million since its establishment in 2011. UN-Women has been unable to meet its funding

[1] The East and Southern Africa Regional Office in Nairobi and the Malawi and Burundi country offices.

target for each of those years,[2] with the exception of 2014, when the funding received exceeded the budget by 4 per cent. The Board considers that UN-Women needs to set its budget in line with the Secretary-General's recommendation and ensure that the budgeted target is achieved consistently. According to the minutes of the Executive Board of UN-Women for the first regular session dated 9 February 2015, the non-achievement of funding targets by UN-Women will impact the Entity and limit it in achieving its mandate in areas such as its ability to engage in global and regional programmes on universal issues, respond to emerging challenges and opportunities, promote innovation and support the Entity's normative work through norm-setting and evidence-based advocacy. It will also limit the Entity's capacity to fully leverage United Nations coordination mechanisms with a view to strengthening gender equality results by the United Nations system.

18. UN-Women attributes the non-achievement of the set target to the Entity not attaining the resources commensurate with the recognition and political commitment from Member States on which UN-Women capitalizes (for example, widening recognition of the importance of investing in gender equality). Other causes include challenges associated with creating a space in national budgets for UN-Women in the various budgetary processes related to official development assistance and the changing trend in funding that has emerged from the legacy of the very low level of contributions to its predecessor organizations.

19. UN-Women explained that it is exerting maximum efforts such as (a) sustaining, widening and deepening core contributions from current Government donors and engaging emerging donors; and (b) expanding and deepening contributions from non-traditional donors, including the private sector (corporations and philanthropic foundations), individual donors and UN-Women national committees, to reach the ultimate goal of securing $500 million per year. The Board recognizes the efforts of UN-Women to enlarge its donor base, including the introduction of the 150/250 campaign to secure 150 Member States contributing $250 million to core resources. UN-Women also intends to mobilize $250 million in non-core resources to reach a combined total of $500 million.

20. The Board remains concerned that if the Entity continues to be underfunded, it may negatively affect the implementation of the approved strategic plan, 2014-2017, including the regional architecture and headquarters structure that has been endorsed by the UN-Women Executive Board. Also, the issue may impact and limit the Entity's resolve to achieve its mandate.

21. **The Board recommends that UN-Women (a) identify new and strengthen current sources of non-core resources and modalities; and (b) expand and deepen contributions from non-traditional donors, individual donors and UN-Women national committees.**

5. End-of-service liabilities

Funding gap for end-of-service and post-retirement benefit liabilities

22. In its last concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the biennium 2012-2013 and annual financial periods 2012 and 2013 (A/69/178 and Corrs. 1-7), the Board reported on

[2] $479 million: 2011, $350 million: 2012, $350 million: 2013 and $310 million: 2014.

the end-of-service liabilities with the aim of monitoring progress in the management of those liabilities. In addition to the issues of inadequate disclosure of end-of-service liabilities and the lack of a funding plan for those liabilities by some entities,[3] the Board noted the increase in end-of-service liabilities, which was generally attributed to updated management assumptions on the inflation rate and discount rate used in actuarial valuations.

23. The UN-Women funding plan started in 2011at its inception, at which time $20.2 million was set aside to fund end-of-service and post-retirement liabilities. In 2012, UN-Women charged 5 per cent and 2 per cent on salary costs for after-service health insurance and repatriation benefits respectively to fund the plan. These rates were increased in January 2014 to 8 per cent and 3.7 per cent respectively and as at 31 December 2014, the fund has a balance of $32.6 million.

24. The Board noted a funding gap amounting to $31.2 million ($63.8 million minus $32.6 million) as at 31 December 2014 owing to the fact that the Entity's after-service health insurance, repatriation benefits and death benefit liability were estimated and valued by the actuary[4] at $63.8 million (after-service health insurance: $53.2 million, repatriation grant: $10.4 and death benefit: $0.2 million).

25. The Board also found a trend of increasing costs of the Entity's after-service health insurance, repatriation grants and death benefit liability such that the reported amount of $63.8 million (2014) has gone up from $45.7 million (2013) and $41.6 million (2012). UN-Women explained that the significant increase in total obligation for after-service health insurance resulted from the movement of the discount rate from 5.08 per cent to 4.06 per cent, as the census details were not amended from 2013. Management further stated that the future obligations will also be affected by the staff census as well as downward or upward movements in the discount and inflation rates.

26. UN-Women also stated that the fund balance of $32.6 million adequately covers the liabilities for fully eligible current retirees and active employees. Furthermore, UN-Women assured the Board that it will continue to review the funding of after-service health insurance and repatriation benefits to ensure that the Entity can make payments on liabilities as they fall due. However, the Board is concerned that the funding gap might increase in the future owing to the noted trend of increasing costs of the Entity's after-service health insurance, repatriation benefits and death benefit liability.

27. **The Board recommends that UN-Women continue to review the funding of the after-service health insurance, repatriation benefits and death benefit liability to ensure that the Entity is able to meet maturing obligations.**

6. Accounts and financial management

Improvements in the monthly management accounts

28. The Board, in its last concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the biennium 2012-2013 and annual financial periods 2012 and 2013 (A/69/178 and Corrs.1-7), reported that while the delivery of IPSAS-compliant financial statements had been a

[3] UN-Women has had a funding plan since its inception in 2011.

[4] Ernst and Young.

noteworthy achievement, the ultimate test would be the delivery of the intended benefits. Further, the Board acknowledged that UN-Women was one of the United Nations entities[5] to have implemented benefit realization plans with clearly defined mechanisms to identify and track benefits.

29. Although the Board noted in the concise summary that the frameworks in place will enable tangible benefits to be reported in the next 12 to 18 months, it is the Board's view that monthly management accounts are crucial to enhance management oversight on the operations of UN-Women.

30. From the review of the UN-Women monthly management reports for 2014, the Board noted that some information needs to be added to the reports to enhance their usefulness for management decision-making; this includes analysis and commentary on key financial ratios covering budget implementation, liquidity, asset utilization and financial sustainability. The Board also considers that UN-Women should start providing the senior management with quarterly reports analysing its cash and investment balances based on the quarterly meetings with the United Nations Development Programme investment team.

31. While UN-Women has been preparing monthly management accounts since August 2012, the Board considers that further improvements are crucial to enhance management oversight on the operations of the Entity, for effective decision-making, and to improve its oversight role in respect of the available resources.

32. UN-Women informed the Board that it will improve its monthly management accounts to ensure that they contain all the information required for senior management decision-making.

33. **UN-Women agreed with the Board's recommendation that it improve (a) its management accounts to include information such as monthly analysis and commentary, quarterly reports on investments and financial sustainability for improved decision-making; and (b) its biannual reporting on key financial ratios covering liquidity and asset utilization and financial sustainability.**

Long-outstanding project advances

34. In its previous report (A/69/5/Add.12, para. 51), the Board raised concerns about the long-outstanding advances to implementing partners amounting to $7.3 million as at December 2013.

35. The Board noted that advances amounting to $18.39 million issued to non-governmental organizations and Governments ($11.44 million), other United Nations agencies ($2.44 million) and trust funds ($4.51 million) between 2011 and 30 June 2014 were outstanding for periods ranging from 6 months to more than 12 months as at 31 December 2014. According to the implementation schedule in the cash advance chapter of the Programme and Operations Manual and the respective project agreements, the advances should have been liquidated not later than six months from the date of issue and one year for grant project advances.

36. The Board noted that the long-outstanding project advances were mostly due to delays by implementing partners in submitting Funding Authorization and

[5] Other entities were the Office of the United Nations High Commissioner for Refugees, the United Nations Children's Fund, the United Nations Joint Staff Pension Fund, the United Nations Development Programme and the United Nations Capital Development Fund.

Certificate of Expenditures forms for validation of expenses, in accordance with the requirement of the Programme and Operations Manual. The deficiency implies inadequacy of the monitoring of advances to implementing partners.

37. UN-Women has taken some initiatives to reduce the long-outstanding advances to implementing partners. These include the development of a partner training kit to be used by field offices for training implementing partners to ensure that they have a good understanding of the management, monitoring and reporting procedures for the resources. However, the Board considers that the non-liquidation of the long-outstanding advances, some of which date back to 2011, reduces the assurance on the appropriate use of the funds advanced.

38. **The Board reiterates its recommendation that UN-Women (a) enhance its accountability and monitoring of advances to implementing partners at the project level by verifying the correct use of the funds and the achievement of results and expected outputs; and (b) identify problems and implement the necessary corrective actions with its partners with long-outstanding balances at the end of the period, including recovery of such balances as deemed appropriate.**

Growing trend of provision for impairment of advances to implementing partners

39. According to its new accounting policy on impairment of advances to implementing partners, UN-Women is required to review outstanding advances as at the year-end. Based on this policy, for advances aged more than 24 months, the provision is 100 per cent; for advances aged from 12 to 24 months, the provision is 30 per cent; and for advances aged from 6 to 12 months and trust fund advances aged 12 months, the provision is 5 per cent.

40. The Board noted a significant growth in the allowance for impairment of advances to implementing partners, from $0.50 million (1.10 per cent of the advance balance) in 2012 to $3.88 million (8.61 per cent of the total advance balance) in 2013. As at 31 December 2014, the figure was $5.99 million[6] or 14.46 per cent of the total advance balance as at that date. Impairment of 100 per cent is made after management considers the prospects of recovery to be remote and the amount advanced has exceeded 24 months.

41. The Board considers that the growing trend of provision for impairment of advances to implementing partners is due to long-outstanding advances, which are caused by factors such as non-receipt of Funding Authorization and Certificate of Expenditures forms from implementing partners and inadequate monitoring of implementing partners by field offices, which increases the risk that some cash transferred to implementing partners may not have been used in accordance with the agreements and approved workplan.

42. UN-Women attributed the increase in impairment of advances in the past two years to its enhanced disclosures due to the introduction of the Entity's new corporate policy on impairment based on the ageing of the advances at the year-end.

[6] Comprising advances ageing more than one year for trust funds and more than six months for non-governmental organizations and United Nations agencies.

43. The Board is of the view that the amount of the impairment has to be reduced and that an appropriate approach is to enhance monitoring of the implementing partner's balances and enforcing the recovery policy on long-outstanding advances.

44. **The Board recommends that UN-Women (a) enhance its efforts in liquidating the long-outstanding advances with implementing partners; and (b) ensure that adequate monitoring of implementing partners is conducted by the field offices.**

7. Programme, project and trust fund management

45. The programme and project approach remains the Entity's preferred mode of implementing activities that contribute to the achievement of the goals and outcomes articulated in the UN-Women strategic plan, 2014-2017. Implementing partners and responsible parties are used to implement activities. The Board reviewed the Entity's programme implementation and management and noted some deficiencies as summarized below.

Inadequate capacity assessment process

46. Capacity assessment of implementing partners is crucial for an entity, especially when it uses such partners to implement its programme and project activities. UN-Women uses Government entities, non-governmental organizations and United Nations agencies under different circumstances to implement its programmes and projects.

47. However, the Board noted that the chapter on programmes in the Programme and Operations Manual does not provide detailed guidance for capacity assessment of United Nations agencies and Government entities or assessment of the financial and administration capacity of all other implementing partners, including non-governmental organizations.

48. UN-Women explained that it is in the process of revising the Programme and Operations Manual in order to strengthen the existing policies and guidance on the capacity assessment processes, including the elaboration of guidance on the process of capacity assessments of Government partners, including Government entities.

49. The Board considers that the absence of guidance in the Programme and Operations Manual for conducting capacity assessment of United Nations agencies and Government entities increases the risk that UN-Women will select implementing partners that lack the requisite capacity.[7]

50. **The Board recommends that UN-Women expedite the process of revising its Programme and Operations Manual so that the existing policies and guidance on the capacity assessment processes of Government partners and the capacity assessment of the financial and administration capacity aspects of an implementing partner are enhanced.**

[7] In 2014, the Board noted cases of the selection of inappropriate implementing partners, which resulted in delays in the accomplishment of project activities in a timely manner (at the Kenya and Malawi country offices), project time extension (at the Malawi and Brazil country offices) and suspended projects (case noted at the Malawi country office).

Delays in releasing funds after signing funding agreements

51. The chapter on programmes in the Programme and Operations Manual requires that funds be transferred to partners immediately after the agreement is signed. However, the Board noted delays in the release of funds to implementing partners ranging from five to six months, resulting in project extensions that ultimately delayed the benefits of the project to the intended parties. The specific cases are described below:

(a) *At the Malawi country office*: A total of 2 out of 14 projects implemented in 2014 reported delays in receiving disbursement of funds for a period of six months, which ultimately affected the implementation of the activities, given the time frame provided. For example, one project with a budget of $29,842.85 was signed on 17 July 2013 between UN-Women and the Malawi Police Service for a project duration of July to November 2013. However, funds for the project were disbursed to the implementing partner in mid-September 2013; as a result, the project had to request a no-cost extension of five months, to 30 April 2014;

(b) *At the Malawi country office*: Another project with a project budget of approximately $1 million under a project cooperation agreement signed on 12 September 2011 for the period from 1 September 2011 to 31 August 2014 was delayed by five months owing to late disbursement of funds and a project extension to 31 January 2015 had to be requested.

52. UN-Women stated that the Malawi country office did not have delegation of authority at the time and was supported by the Regional Office. This contributed to the time lag between the request for disbursement of funds and the receipt of funds by the responsible party. In future, disbursements would be made to the partners immediately upon the signing of the agreements, as the Malawi country office was issued delegated authority in late 2014.

53. The Board considers that late disbursements, which ultimately cause the delays in releasing funds to implementing partners, signify weaknesses in processing payments in a timely manner after the signing of the agreements with the implementing partners. The Board remains concerned that the deficiency might ultimately delay the expected project deliveries and expected results in the annual workplan or project documents.

54. **The Board recommends that UN-Women address all operational weaknesses associated with the disbursement of funds and ensure that all field offices comply with the Programme and Operations Manual in all aspects, including the immediate release of funds after signing the funding agreements.**

8. Human resources and payroll management

Lack of an integrated computerized system for special service agreements

55. In accordance with the chapter on special service agreements in the Programme and Operations Manual (para. 2.3), a dedicated computerized system must be in place for special service agreement administration.

56. The Board found that UN-Women headquarters did not have an integrated computerized system for managing holders of special service agreements. Data are available only at the respective field offices and at a SharePoint developed in the UN-Women intranet, which does not provide real-time information. In addition, the

special service agreement databases at the respective field offices were not integrated into the Atlas system, contrary to the requirement of the Programme and Operations Manual that the use of special service agreements be monitored from headquarters through Atlas.

57. UN-Women explained that it is committed to developing an integrated system to monitor special service agreements, as these are currently not tracked in the Atlas enterprise resource planning system and as an initial solution to enhance the monitoring of such agreements. UN-Women also stated that it has implemented an online dashboard in SharePoint.

58. However, the Board is of the view that using special service agreement information from a SharePoint that is updated monthly limits the visibility of headquarters in respect of the real-time information for decision-making and the monitoring of its workforce located in field offices.

59. **UN-Women agreed with the Board's recommendation that it improve its monitoring and control of special service agreements by developing and maintaining an integrated computerized system at the corporate level, in order to obtain centrally the real-time information for all workforces.**

9. National implementation and non-governmental organization project audits

Non-submission of project (implementing partners) audit reports

60. The chapter on audit approach in the Programme and Operations Manual[8] provides a project audit time frame whereby audits should be planned to start by the fourth week of February or the first week of March each year, with the final audit reports submitted no later than 30 April. The Manual also requires that the finalized audit reports be uploaded in a designated UN-Women extranet site.

61. However, at the time of audit in May 2015, the Board noted that only 88 out of 143 (62 per cent) of partners' audit reports (for 2014 expenses) as per the audit plan had been uploaded and submitted for the Board's review, mainly owing to the late finalization of the audits by the global auditor.[9] This reduces the Board's assurance on outputs and project expenditure from partners and grantees. Furthermore, the Board also found that eight United Nations Trust Fund to End Violence against Women grant projects and three Fund for Gender Equality grant projects were included in the audit plan but had yet to be audited.

62. UN-Women explained that it will work closely with the global auditors to generally observe the 30 April deadline for completion of the final audit reports. However, since the Board's assurance on outputs and project expenditure is partly based on a sample review of the audit reports, non-submission of 38 per cent of the planned outputs affects the assurance to be provided on pertinent project expenditures.

Results of external audit reports on funds advanced to implementing partners

63. From the review of audit reports and opinions for 88 implementing partners (62 per cent), the Board noted that 72 (82 per cent) had unqualified opinions,

[8] Assurance activities undertaken by UN-Women in respect of national implementation and non-governmental organization projects.

[9] Moore Stephens.

14 (16 per cent) had qualified opinions, 1 (1 per cent) had a disclaimer of opinion and 1 (1 per cent) had an adverse opinion. The common issues raised by auditors were insufficient or no supporting documents, excessive use of cash payments, lack of audit trail, lack of competitive procedures for awarding contracts, material differences between Funding Authorization and Certificate of Expenditures forms and Atlas, and Funding Authorization and Certificate of Expenditures forms not being submitted quarterly. The auditors issued a disclaimer of opinion on one project (79548) owing to the unavailability of the audit focal point and material component of the implementing partner's accounting records. Projects with a modified audit opinion indicate that project funds were improperly managed.

64. Furthermore, the Board noted that project cash balances were not certified by auditors for all audited projects. The absence of a statement of cash balance certified by auditors creates uncertainty about the reliability of advance balances presented in the financial statements. UN-Women informed the Board that it will continue to work closely with partners to address the weaknesses identified in project audit reports.

65. The Board is of the view that if these weaknesses are not properly addressed, they may lead to a risk of errors and misstatements in the financial statements and even increased risk of fraud at the project level.

66. **The Board recommends that UN-Women (a) work closely with project auditor(s) to ensure that all project audit reports are submitted before 30 April of each calendar year; (b) consider developing a computerized system that will improve on the efficiency and effectiveness of reporting and monitoring the status of implementation of the project audit recommendations; and (c) work closely with the implementing partners to address the weaknesses identified in the project audit reports, with emphasis on those partners with repeating errors or findings.**

10. Information technology

Information and communications technology disaster recovery plan not updated and tested

67. United Nations organizations need to have a comprehensive set of plans to address disasters or interruptions, especially with regard to the information and communications technology aspects of business continuity and disaster recovery.

68. The Board noted, however, that the UN-Women disaster recovery plan, which was developed in May 2014, has never been tested to verify the completeness of the plan, how well it works, or which portion of the plan needs improvement to reflect the actual emergency preparedness.

69. In addition, the Board found that UN-Women has to ensure that the following issues are taken into account with respect to the disaster recovery plan in order to adequately continue its business operations in a timely manner and not lose critical information, which might result in loss of business and client confidence in times of crisis:

(a) Updating the plan with all key contacts of service providers and vendors;

(b) Taking into account the results of the business impact analysis (conducted in June 2014) by incorporating issues such as the recovery time objective and the recovery point objective for applications to reflect the current business priorities and controls.

70. UN-Women explained that it has recently established a comprehensive disaster recovery plan that will ensure that individual disaster recovery plans are in place for all critical business systems hosted in the public and private cloud, including the inter-agency Atlas disaster recovery plan, which is tested regularly as part of the Atlas partnership.

71. The Board is of the view that if UN-Women does not update the disaster recovery plan based on the current results of the business impact analysis and test all individual disaster recovery plans, it will be at risk of not adequately resuming its business operations in a timely manner in the event of disaster.

72. **UN-Women agreed with the Board's recommendation that it review and test its disaster recovery plan and thereafter implement a comprehensive disaster recovery plan that will accommodate the entire information system.**

Insufficient documentation of information system processes and controls for acquisition, development and implementation

73. The Board found that UN-Women has developed information systems to enhance the efficiency, effectiveness and transparency of its operations which are being conducted onshore or offshore. During the audit, the Board noted that there were 15 information systems that had been developed internally to support business processes. However, the processes for information system acquisition, development and implementation were not formally documented to ensure that new projects and system change request workflows complete the cycle from request receipt till request closure.

74. In addition, the Board noted that the current situation depends on individual knowledge rather than documented formal workflow with standards and guidelines. Each stage requires control activities and objectives that can be used as guidelines for anyone who is involved in the process of information system acquisition, development and implementation. If there is no such formal process with guidelines at each stage of the system development life cycle, the documentation control will not help to ensure project completion in a timely manner with the required quality and scope.

75. Further, the Board found that 18 projects undertaken in 2014 did not have a business case, risk registers, project plans and user acceptance documents. Also, although all of the 18 projects had system specifications, such specifications were not kept systematically for 4 of those projects. The Board is of the view that the lack of relevant project documents or insufficient project documentation might make it difficult for UN-Women to keep track of its agreements with external service providers or monitor project scopes approved by management.

76. UN-Women explained that it does have documented standards and guidelines for the acquisition, development and implementation of systems as reflected in policy documents, including "ICT Strategy", "ICT Governance Policy" and "Change Management Standard". A system development life cycle standard would be established as an integrated standard document to reflect all required processes and standards for developing and implementing new software and systems.

77. The Board considers that the existing documents do not address the processes, standards and guidelines for the acquisition, development and implementation of systems. The documents address the high-level strategic direction on how information and communications technology services will contribute to the success

of UN-Women, the achievement of overall strategic objectives, and the information and communications technology investments decision-making model and the approval authority levels for that model.

78. The Board is concerned that the noted deficiencies in the documents could compromise the quality of systems or delay project implementation.

79. **UN-Women agreed with the Board's recommendation that it (a) review and update its change management standard and establish system development life cycle standards as an integrated standard document that reflects all required processes; (b)review its information system acquisition, development and implementation processes and strengthen related standards and guidelines for each stage of the process; and (c) improve information and communications technology project management and change management by strengthening the formulation of project proposals or change requests.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

80. In accordance with regulation 21.1,UN-Women informed the Board that losses of receivables and liabilities were written off in the amount of $51,489.

2. Ex gratia payments

81. In accordance with regulation 20.6 of its financial regulations and rules, UN-Women informed the Board that no ex gratia payments had been made in 2014.

3. Cases of fraud and presumptive fraud

82. In accordance with International Standard on Auditing 240, the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity, including those resulting from fraud. Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

83. During the audit, the Board makes enquiries of management regarding the latter's oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to the Board's attention. The Board also enquires as to whether management has any knowledge of any actual, suspected or alleged fraud; this includes enquiries of the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

84. In 2014, the Board did not identify any cases of fraud other than those that were reported to the Board and adequately disclosed in the notes to the financial statements.

D. Acknowledgement

85. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and her staff.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Annex

Status of implementation of recommendations for the financial period ended 31 December 2014

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1.	2010-2011	A/68/5/Add.13, para. 97	(a) Improve its project budget management and monitoring procedure to better monitor under spending on projects; and (b) address cause of delays in project implementation to ensure delivery on its mandate.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
2.	2010-2011	A/68/5/Add.13, para. 101	Perform financial closure of all operationally closed projects within 12 months of operational closure.	UN-Women completed financial closure of 629 legacy projects inherited from the United Nations Development Fund for Women (2004 to 2011).	The Board verified actions taken by management and found that UN-Women has implemented the recommendation.	x			
3.	2010-2011	A/68/5/Add.13, para. 107	Strive to complete the annual workplan approval process before the start of the performance cycle.	UN-Women implemented the recommendation.	The Board verified action reported by management and found that all legacy projects from 2004 to 2011 were financially closed.	x			
4.	2010-2011	A/67/5/Add.13, para. 136	Expedite the process of filling posts at country and regional offices to have adequate staffing.	UN-Women has implemented the recommendation in line with the implementation of the regional architecture aimed at staffing field offices.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
5.	2010-2011	A/67/5/Add.13, para. 140	Perform validation checks on its payroll information submitted to the United Nations Development Programme (UNDP) to ensure that it is valid, accurate and complete.	UN-Women has implemented the recommendation whereby for local staff salaries in field-based offices, the validation process has now been implemented to ensure accuracy before the payroll is finalized.	The Board verified and found that UN-Women currently performs validation checks on its payroll information submitted to UNDP to ensure that it is valid, accurate and complete.	x			
6.	2012	A/68/5/Add.13, para. 16	Regularly review its depreciation rates and useful lives of assets to avoid having a large number of assets fully depreciated but still in use.	UN-Women performs an annual review of useful lives as per the requirement in paragraph 67 of IPSAS 17.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
7.	2012	A/68/5/Add.13, para. 24	Conduct a review in 2013 of the funding of both after-service health insurance and repatriation benefits.	UN-Women conducted a review in 2013 of the funding of both after-service health insurance and repatriation benefits.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
8.	2012	A/68/5/Add.13, para. 30	Revisit the requirements of IPSAS 12 as a whole in relation to items kept at all offices to ensure full compliance with IPSAS.	UN-Women updated its accounting policies manual to widen its policy on inventory recognition.	The Board verified the action taken by UN-Women and found that it has complied with IPSAS 12 requirements.	x			
9.	2012	A/68/5/Add.13, para. 36	(a) Improve the service level agreement to accommodate the need for UN-Women to monitor the entire treasury services entrusted to UNDP; and (b) abide by the provision of the	UN-Women implemented the requirements of the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			agreement by providing annual cash flow forecasts to UNDP to avoid any possibility of ad hoc cash requests that may necessitate interruption of investments owing to fund shortages.						
10.	2012	A/68/5/Add.13, para. 41	Develop risk registers at operational levels and a consolidated register at strategic level. The registers should include categories and the nature of threats that may adversely affect the delivery of its mandate and include possible mitigation strategies.	UN-Women is still in the process of formally adopting enterprise risk management. An updated version of the enterprise risk management policy is under approval of the relevant authorities.	The Board verified the action taken by UN-Women and found that the recommendation is yet to be fully implemented.			x	
11.	2012	A/68/5/Add.13, para. 47	(a) Dedicate to a selected team the responsibility of approving annual plans; and (b) establish a clear timetable with target dates for completion of the preparation and approval of the strategic note/annual workplans in advance of the beginning of the performance cycle.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.		x		

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
12.	2012	A/68/5/Add.13, para. 53	Design, implement and document additional procedures to improve the completeness and accuracy of property, plant and equipment recorded in the asset management system.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
13.	2012	A/68/5/Add.13, para. 56	(a) Improve its procedures for the management of assets to ensure that all necessary records from acquisition, valuation, recording, accounting and disposal are adequately maintained; and (b) streamline its asset reporting procedures to ensure that the headquarters has adequate information and an appropriate mechanism for monitoring compliance with the property, plant and equipment policies and the requirements of the financial rules and regulations.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
14.	2012	A/68/5/Add.13, para. 60	(a) Strengthen the system of project monitoring and evaluation to ensure that the milestones set in its strategic plans are achieved;	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			(b) ensure that all project contracts are aligned with the provisions of the financial rules and regulations, manuals and policies.						
15.	2012	A/68/5/Add.13, para. 67	Ensure that delivery rates for its projects are as stipulated in the strategic plan, 2011-2013.	UN-Women implemented the recommendation. It is an ongoing issue to be monitored on a yearly basis.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
16.	2012	A/68/5/Add.13, para. 70	(a) Ensure that the positions held by service contract holders are filled on a timely basis by personnel on staff contracts; (b) assess the current status of staffing at all levels and the impact on the performance of programmes and find a means of creating a database of prospective applicants who can be recruited to fill vacant posts in a timely manner; (c) institute a follow-up process for officers returning from official travel so that they submit travel claim forms within the specified time.	UN-Women has implemented all parts of the recommendation except part (a). A service contract is a valid contractual modality and will be used for functions that qualify to be under a service contract. Adequate guidance is provided to offices to ensure appropriate use of the contract. It was agreed that the auditors will review the status of compliance during the field visit and reconsider the implementation status.	The Board will consider that the recommendation has been fully implemented after implementation of part (a).			x	

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
17.	2012	A/68/5/Add.13, para. 75	Review its procurement function and established delegations of authority. For instance, UN-Women may consider the case for categorizing procurements into strategic and operational requirements and make sure that the strategic acquisitions are processed centrally. The results of the review should also ensure that the headquarters has adequate control over budgeting, spending, monitoring and evaluation and that compliance with plans, rules and regulations, as well as regular reporting, are assured.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
18.	2012	A/68/5/Add.13, para. 76	Consider the benefits of the provisions of paragraph 4.4 of the UNDP Programme and Operations Policies and Procedures and include a liquidated damages clause in its contracts as required.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
19.	2012	A/68/5/Add.13, para. 80	In collaboration with UNDP, improve the communication procedures between the human resources office and the Argus system focal points to ensure that user accounts for the employees leaving the Entity are disabled promptly. In addition, immediate measures should be taken to disable all dormant accounts.	UN-Women implemented the recommendation. It is also an ongoing issue to be monitored yearly.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
20.	2012	A/68/5/Add.13, para. 83	Institute mechanisms at entity level for controlling and monitoring the use of Atlas general ledger codes (in particular GL codes 74605 and 71640) to avoid incorrect use or erroneous postings.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
21.	2012	A/68/5/Add.13, para. 88	Assess the level of capacity and capability required to effectively fulfil the internal audit function in relation to the growth of its audit and advisory services requirements.	UN-Women implemented the recommendation.	The Board has verified the implementation of the recommendation and found that it has been implemented.	x			

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
22.	2012	A/68/5/Add.13, para. 92	Consider the results of audits conducted on its projects and work closely with implementing partners to address the weaknesses identified. Focus should be on implementing partners who have recurring negative reports.	UN-Women has been conducting training for field offices and partners. This is an ongoing issue.	The Board has verified implementation of the recommendation and found it has been implemented.	x			
23.	2013	A/69/5/Add.12, para. 16	Strengthen its resource mobilization activities by expanding and diversifying its resource base through: (a) strengthening and expanding partnerships with bilateral and multilateral donors; (b) developing regionally based fundraising expertise; and (c) approaching socially responsible private sector entities, women's groups and individuals.	UN-Women is making efforts to widen and deepen the partnership base.	The Board will consider the recommendation as implemented once all parts of the recommendation have been fully implemented and verified.		x		
24.	2013	A/69/5/Add.12, para. 21	Ensure that all its field offices (regional, multi-country and country offices) develop and implement their own business continuity and disaster recovery plan based on the relevant working	The UN-Women security office has engaged a consultant, who started in mid-April 2015. It is envisioned that all field locations will have completed either a review or an update for 2015.	The Board will consider the recommendation as implemented once all parts of the recommendation are fully implemented and verified.		x		

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			environment and monitor their developments.						
25.	2013	A/69/5/Add.12, para. 29	(a) Recognize and account for components of the financial statements appropriately and pay its liabilities on the basis of age, in accordance with its debt settlement policy, to enhance its credibility and increase suppliers' confidence; (b) improve the procedures for review of accounting ledgers and supporting schedules to ensure that all expenses are classified and charged against the right budget items; and (c) improve coordination and information flow between the Strategic Partnership Division and the finance section to ensure that the concluded agreements/ pledges are recognized in the correct periods in line with its revenue accounting policy.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.		x		
26.	2013	A/69/5/Add.12, para. 36	Review its Programme and Operations Manual to match	UN-Women implemented the recommendation and improved its	The Board verified actions taken by management and		x		

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			the requirements of IPSAS 12 and improve its year-end closure instructions to widen the scope of identification and recognition of inventory across the Entity.	compliance with IPSAS 12.	is satisfied that the recommendation has been implemented.				
27.	2013	A/69/5/Add.12, para. 43	(a) Review its current procurement catalogue by renaming the classes and categories of assets to avoid misclassifications in the Atlas system; (b) minimize errors by strengthening the asset management function in all 59 country offices through improvement of the internal check system; (c) monitor the information uploaded in the Atlas system; and (d) continuously review the asset reports prepared by each office.	UN-Women implemented the recommendation.	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			
28.	2013	A/69/5/Add.12, para. 47	Speed up the development of audit guidelines for obtaining assurance on monies spent for projects under the United Nations Trust Fund to End Violence against Women and the Fund for Gender Equality.	UN-Women has finalized the terms of reference to implement the harmonized audit approach, which includes grant projects administered under the United Nations Trust Fund to End Violence against	The Board verified actions taken by management and is satisfied that the recommendation has been implemented.	x			

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				Women and the Fund for Gender Equality. These new terms of reference would be used effective 2014, taking into consideration existing agreements with grantees.					
29.	2013	A/69/5/Add.12, para. 51	(a) Enhance its monitoring of advances to implementing partners to verify the correct use of the funds for achieving results and expected outputs; and (b) identify problems and implement necessary corrective actions with its partners where there are long-outstanding balances at the end of the period (6 months for implementing partners and 12 months for trust fund grants), including recovery of such balances as appropriate.	UN-Women has included its senior management in a working group to determine a strategy to improve compliance with policies. Regional offices are providing updates on reasons for long-outstanding advances.	The Board will continue to follow up to see if actions taken by UN-Women will address the recommendation.		x		
30	2013	A/69/5/Add.12, para. 57	Monitor and ensure that country offices, including in Zimbabwe and Côte d'Ivoire, fully utilize the committed funds and participate fully in joint programmes.	UN-Women implemented the recommendation.	The Board has verified and established that the recommendation was fully implemented.	x			

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
31.	2013	A/69/5/Add.12, para. 61	UN-Women agreed with the Board's recommendation that it continuously monitor and perform financial closure of all operationally closed projects within 12 months of operational closure as required by its financial regulations and rules.	The financial closure of operationally closed projects between 2004 and 2011 was completed in the books at 31 December 2014.	The Board will continue to liaise with management to ensure that all operationally closed projects are financially closed in a timely manner before it considers this recommendation implemented.		x		
32.	2013	A/69/5/Add.12, para. 66	UN-Women agreed with the Board's recommendation that it set a timeline for developing a mechanism that would enable timely submission of travel claims as required by the Programme and Operations Manual, preferably by embedding a module in the automated system for timely submission of travel claims if it is found to be cost-effective.	The monitoring tool has been finalized and shared with country offices. In addition, the monthly procedure to review outstanding F10 claims has been implemented.	The Board has verified and is satisfied that the recommendation has been implemented.	x			
33.	2013	A/69/5/Add.12, para. 72	UN-Women agreed with the Board's recommendation that it provide adequate support to the field offices in order to enhance staff capacities in	In order to align the management of individual consultancy agreements with the recent developments in the United Nations system (e.g. Deliver as	The Board verified the recommendation and found that UN-Women has revised its policy. However, the implementation had not yet been effected.		x		

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			procurement procedures, including the management of contracting individual consultants and contractors in line with the existing guidelines, and monitor their compliance.	One), and in response to the Joint Inspection Unit report issued on 20 April 2015 "Use of non-staff personnel and related contractual modalities in the United Nations system organizations", UN-Women delayed the implementation date for the newly established individual consultancy agreement policy so that the relevant section(s) can address the recommendations of the Joint Inspection Unit. Based on the Board of Auditors recommendation, the special service agreement management process has been strengthened already — and Human Resources manages the contracting process, including approval of purchase orders for all headquarters-based special service					

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				agreements. Further, a human resources focal point attends the Procurement Review Committee meetings to review cases related to consultancy contracts. These steps have strengthened the process and further ensured that special service agreements are not issued prior to satisfaction of control requirements.					
34.	2013	A/69/5/Add.12, para. 80	UN-Women agreed with the Board's recommendation that it: (a) assess the capacity of the Procurement Section and ensure that it is able to manage the procurement function effectively across the Entity; (b) improve the provisions of the Programme and Operations Manual to include a procedure for the review of procurements below $30,000 that would facilitate a control measure, as well as an assurance process; and	New staff positions have strengthened the Procurement Section's capacity to deal with a centralization of procurement above $30,000. For contracts valued at $5,000-30,000, the online request for contract forms captures new contracts. The Acquisition Management Review Committee secretary function has been moved physically and organizationally out of the Procurement Section. The secretary reports directly to the Chief Procurement	The Board verified the implementation status of the recommendation and found that it has been implemented.		x		

No.	Financial period first made and reference	Report reference	Recommendations	Action reported by management	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			(c) ensure that the secretary of the Acquisition Management Review Committee is actually independent from the Procurement Section to effectively discharge the oversight role.	Officer and Chair of the Acquisition Management Review Committee. In addition, the secretary is not involved in any transactional procurement activities. 20/10/2014: (a) A business case analysing UN-Women's procurement spending and proposing a strategy to map the resources with demands is under senior management review. A decision will be made in 2014 to strategically position UN-Women's procurement function; (b) Low-value procurement, i.e. <$30,000, is decentralized to local offices to ensure efficiency and effectiveness. Centralizing low-value purchases or enforcing review by the Contract Committee will create a bottleneck in review and approval processes.					
Total			**34**			**27**	**7**	**0**	**0**
Percentage			**100**			**79**	**21**	**0**	**0**

Chapter III
Certification of the financial statements

Letter dated 30 April 2015 from the Director of the Division of Management and Administration of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors

Pursuant to financial rule 1201 of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements for the year ended 31 December 2014.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgements;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The internal auditors continually review the accounting and control systems;

The management provided the internal auditor with full and free access to all accounting and financial records;

The recommendations of the Board of Auditors and internal auditors are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UN-Women, as per the service level agreements currently in force.

(*Signed*) Moez **Doraid**
Director a.i.
Division of Management and Administration
United Nations Entity for Gender Equality
and the Empowerment of Women

Chapter IV
Financial report for the year ended 31 December 2014

A. Introduction

1. The Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) has the honour to submit the financial report for the year ending 31 December 2014, together with the audited financial statements and the report of the Board of Auditors. This submission is made in compliance with regulations 12.1 and 26.2 of the Financial Regulations and Rules of UN-Women. The annual financial statements cover all the resources for which the Executive Director is responsible.

2. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and were transmitted to the Board of Auditors on 30 April 2015. The Advisory Committee on Administrative and Budgetary Questions has received UN-Women 2014 Financial Statements as required by financial rule 1202. The Board of Auditors has given its opinion and report on the 2014 financial statements, both of which are also submitted to members of the Executive Board.

3. The pursuit of gender equality, women's rights and women's empowerment is a prerequisite and driver for human rights, development and peace. UN-Women has completed its fourth year of operating as a composite entity since its creation by the General Assembly in resolution 64/289. The Assembly, the Economic and Social Council and the Commission on the Status of Women provide guidance for the normative functions of UN-Women; the Assembly and the Executive Board provide guidance for the Entity's operational activities; intergovernmental resolutions and decisions set the women and peace and security agenda for UN-Women and the United Nations system.

B. Resource mobilization and funding status

4. Since inception in 2011, UN-Women has remained underfunded, and resource mobilization is a corporate organizational priority. Resource mobilization projections were articulated in the Entity's updated strategic plan for 2014-2017 and established in the institutional budget for 2014-2015 at the level of $690 million. For 2014, the resource mobilization projections were set at $310 million, $160 million for regular resources (unearmarked/core) and $150 million for other resources (earmarked/non-core).

5. UN-Women is funded mainly by voluntary contributions (97.7 per cent in 2014), comprising regular resources and other resources to finance its operational activities. Assessed contributions (2.3 per cent in 2014) are received from the United Nations Secretariat to contribute to the normative functions of UN-Women.

6. Voluntary contributions in 2014 comprised $163.7 million in regular resources (2013: $156.9 million) and $159.2 million in other resources (2013: $118.5 million). The year 2014 was the first year since its inception that UN-Women met the financial projections set in its budget.

7. UN-Women focused efforts in 2014 on widening and deepening its partnership base. The number of Member States contributing to UN-Women in 2014 increased to 143 (an increase of 7.7 per cent); 26 Member States became donors for the first time and 44 gave multi-year pledges. Six Member States contributed over $10 million, including Denmark, Finland, Norway, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland, with Finland and the United Kingdom exceeding the $20 million mark.

8. The June 2014 pledging event held at the annual session of the Executive Board proved to be a successful catalyst, with Member States challenging one another to contribute increased annual and multi-year core contributions.

9. In order to secure the Entity's cash inflows, payments from Member States are requested early in the financial year so that operations funded by regular resources can be effectively implemented. For programme activities funded by other resources, timely payments by Member States will ensure that project implementation commences and proceeds as planned.

10. Resource mobilization and fundraising activities continue to be intensified, guided by a strategic partnership and resource mobilization strategy that: (a) targets traditional and non-traditional donors, including the private sector and foundations; (b) builds partnerships and access to donor funds at the programme country level; (c) widens and deepens the donor base, including encouraging double digit (over $10 million) core pledges to enhance the sustainability and predictability of regular resources funding; and (d) utilizes diverse communications platforms to broaden outreach to the general public.

11. UN-Women appeals to all its stakeholders to contribute a higher level of resources commensurate with the strong political will in support of UN-Women, thus enabling the Entity to better deliver on its mandate.

C. Major achievements, institution-building and progress on organizational effectiveness and efficiency in 2014

1. Implementation of strategic priorities

12. The year 2014 represented the first year of implementation of the updated UN-Women strategic plan 2014-2017 under six programmatic priorities: (a) women lead and participate in decision-making at all levels; (b) women, especially the poorest and most excluded, are economically empowered and benefit from development; (c) women and girls live a life free from violence; (d) peace and security and humanitarian action are shaped by women's leadership and participation; (e) governance and national planning fully reflect accountability for gender equality commitments and priorities; and (f) a comprehensive and dynamic set of global norms, policies and standards on gender equality and women's empowerment is in place and is applied through action by Governments and other stakeholders at all levels.

13. Based on these priorities, UN-Women delivered programme support in 86 countries in 2014 and achieved programme delivery at 82 per cent of budgeted activities, reflecting continued high operational performance and the maturation of programme initiatives from the previous strategic plan cycle.

14. UN-Women saw progress across almost all outcome indicators in the strategic plan. Target achievement and indicators will be reviewed in 2016 as part of the mid-term review of the strategic plan.

15. The year 2014 also marked the start of activities commemorating the twentieth anniversary of the adoption of the Beijing Declaration and Platform for Action, with the objective of galvanizing action for full, effective and accelerated implementation of the Platform for Action. Global thematic events were held with partner agencies and a social mobilization campaign was launched on social media. In addition, field offices worked closely with national partners to ensure the submission of national reports on implementation of the Platform for Action. As a result of the efforts made by UN-Women, a record number of 167 reports were submitted by Member States for the review.

16. In March 2014 the Commission on the Status of Women completed the only comprehensive intergovernmental assessment of the situation of women and girls with regard to each of the Millennium Development Goals. The efforts of UN-Women were instrumental in ensuring that agreement was reached on both the assessment and on strategic actions to be taken to overcome the gaps.

17. A major effort in increasing the engagement of men and boys in achieving gender equality was undertaken with the launch of the HeForShe campaign in September 2014, reaching more than 1.2 billion people on social media. With the participation of Goodwill Ambassador Emma Watson, the campaign was launched as a global solidarity movement for gender equality, emphasizing male participation and responsibility. Since then, more than 280,000 men have committed to taking action in support of gender equality and several heads of State, chief executive officers, celebrities and university leaders have become HeForShe champions.

2. Organizational effectiveness and efficiency

18. In 2014 UN-Women began implementation of a 10-step strategy for strengthening results-based management. The strategy identifies critical elements for strengthening staff capacity and building a culture of effective programme management, focusing on the use of results-based management standards and the subsequent alignment of systems, functions and incentives behind them. During 2014, the standards were adopted and UN-Women began using them to assess the quality of plans and reports.

19. UN-Women also completed the roll-out of the regional architecture with the opening of the regional office for Europe and Central Asia, located in Istanbul, Turkey. The regional architecture allowed for the simplification of business processes around operations, programme implementation and management, as well as greater delegation of authority and oversight responsibilities to regional offices.

20. UN-Women was assessed by the Multilateral Organization Performance Assessment Network, a network of 19 donor countries. The assessment highlighted the Entity's strong mandate, ongoing relevance and success to date in building the organization. The assessment examined organizational effectiveness and development results, with a focus on strategic management, operational management, relationship management and knowledge management, as well as relevance and evidence of progress towards results. Overall, UN-Women received a positive assessment, with most indicators rated strong or adequate.

21. UN-Women also underwent the European Commission pillar assessment in order to determine whether the Entity has systems and procedures in place that offer guarantees to donors, in particular as regards the management of funds that comply with international standards. UN-Women successfully passed with respect to all six pillars assessed: (a) internal control system; (b) accounting system; (c) independent external audit; (d) grants; (e) procurement; and (f) sub-delegation.

3. Transparency and accountability

22. In 2014 the Independent Evaluation Office presented three corporate evaluations to the Executive Board on: (a) peace and security; (b) the joint UN-Women/United Nations Development Programme/United Nations Children's Fund/United Nations Population Fund/Millennium Development Goals Achievement Fund evaluation of joint gender programmes; and (c) the meta-analysis of 27 evaluations managed by UN-Women in 2013. All three reports demonstrated progress, highlighted areas for improvement and developed recommendations on which UN-Women is actively taking action.

23. In addition, the internal Global Evaluation Reports Oversight System that tracks key performance indicators of the evaluation function; the United Nations Evaluation Group professional peer review of the UN-Women evaluation function; and the Joint Inspection Unit analysis of the evaluation function in the United Nations system provided additional information on assessing the UN-Women evaluation function. The Global Evaluation Advisory Committee noted and agreed with the consistent findings of all assessments that UN-Women has a strong central evaluation office which performs well with regard to evaluation standards of independence, credibility and utility.

24. The Audit Advisory Committee of UN-Women reported to the Executive Board at its 2014 annual session and provided independent feedback to Member States. The Committee has met regularly with senior management and contributes to promoting a culture of governance. Its members assist the Executive Director in her oversight duties.

25. In 2014 UN-Women published eight internal audit reports on its public website that have been issued by the Office of Internal Audit and Investigations. The publication of internal audit reports enhances the transparency of the Entity's activities to donors and Member States.

4. External audit recommendations

26. For the financial year 2013, 7 of the 12 recommendations issued by the Board of Auditors were implemented and 5 are under implementation. UN-Women management is committed to taking action to address the implementation of external audit recommendations issued by the Board.

D. Financial performance

27. As total revenue for UN-Women was $332.9 million and total expenses were $270.5 million, the Entity recorded a surplus of $62.4 million for the year ended 31 December 2014, compared with a surplus of $24.4 million for 2013. The improvement in results for the year ended 31 December 2014 was due to a

significant increase in voluntary contributions from donors of $47.4 million, or 17.2 per cent, above 2013.

Financial performance by funding source

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed*	*Elimination*	*2014*	*2013*
Total revenue	164 541	170 993	7 652	(10 298)	332 888	288 505
Total expenses	142 580	130 946	7 310	(10 298)	270 538	264 105
Surplus/(deficit) for the year	**21 961**	**40 047**	**342**	**–**	**62 350**	**24 400**

28. The increase in voluntary contributions from donors in 2014 of $47.4 million was represented by regular resources of $6.7 million and other resources of $40.7 million.

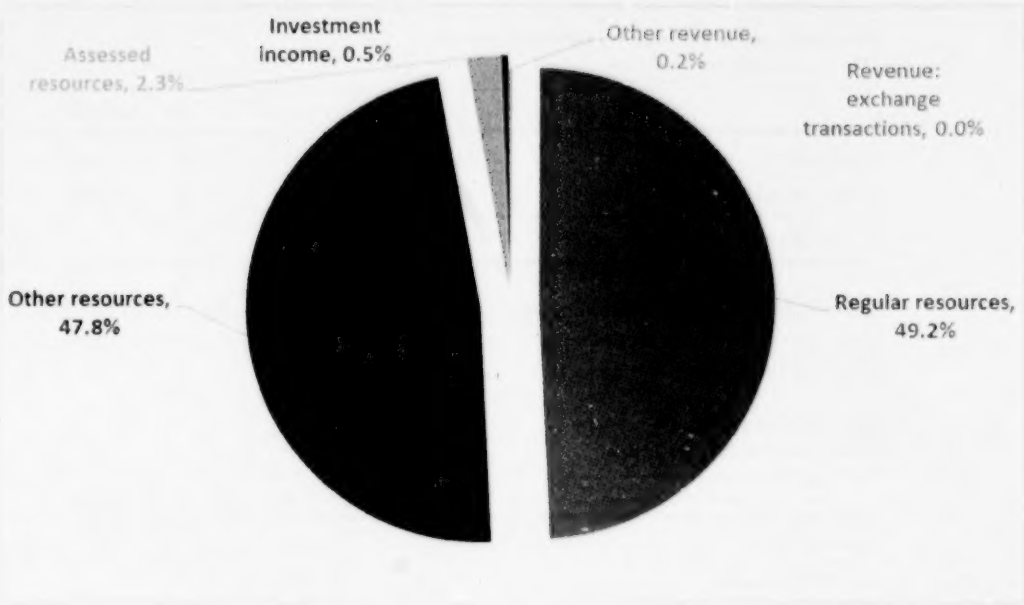
Revenue analysis

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed*	*Elimination*	*2014*	*2013*
Contributions	163 664	159 160	7 652	–	330 476	283 427
Investment income	686	906	–	–	1 592	1 881
Other revenue	161	10 952	–	(10 298)	815	3 197
Exchange transactions revenue	30	(25)	–	–	5	–
Total	**164 541**	**170 993**	**7 652**	**(10 298)**	**332 888**	**288 505**

29. The total revenue for 2014 includes revenue received and receivable, in accordance with IPSAS. UN-Women recognizes revenue from non-exchange transactions when written confirmation is received from a donor. Revenue is recognized in the financial statements in the period to which they relate. The matching principle of revenue and expense does not apply for non-exchange transactions.

Figure IV.I
2014 revenue



30. Of the total revenue of $332.9 million (2013: $288.5 million), contributions accounted for $330.5 million (2013: $283.4 million) and comprised:

(a) Voluntary regular resources of $163.7 million, or 49.5 per cent, of all contributions (2013: $156.9 million, or 54.4 per cent), which are unearmarked and fund the operational requirements and projects and programmes of UN-Women;

(b) Voluntary other resources of $159.2 million, or 48.2 per cent (2013: $118.5 million, or 41.1 per cent), which are earmarked for specific programmes and projects of UN-Women;

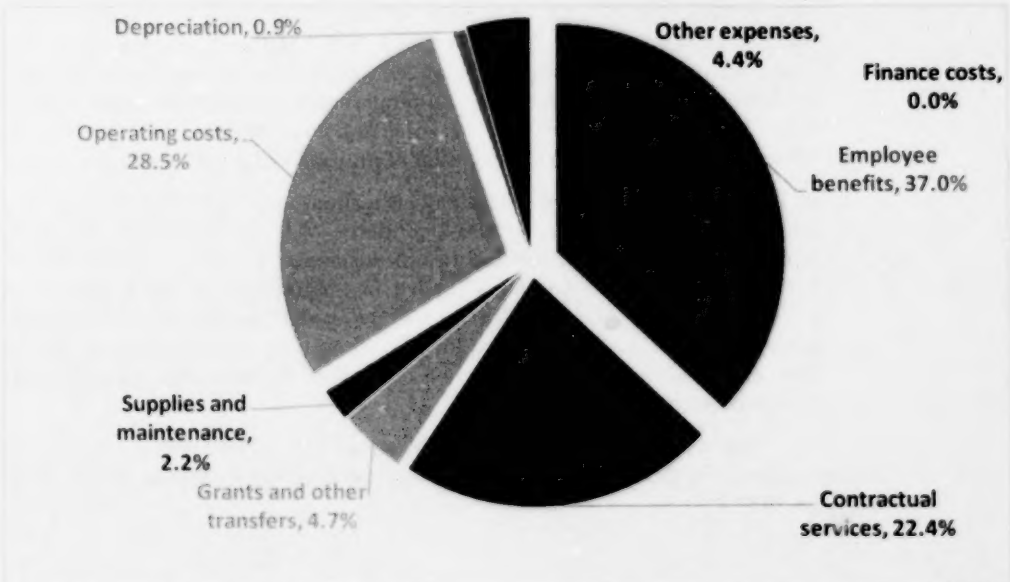
(c) Assessed resources from the United Nations regular budget of $7.7 million, or 2.3 per cent (2013: $8 million, or 2.8 per cent), which fund the normative and intergovernmental work of UN-Women (see figure IV.I).

Expenditure analysis
(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed*	*Elimination*	*2014*	*2013*
Employee benefits	73 173	20 143	6 746	–	100 062	89 562
Contractual services	18 333	42 206	107	–	60 646	63 874
Grants and other transfers	902	11 687	–	–	12 589	22 212
Supplies and maintenance	2 684	3 308	9	–	6 001	5 308
Operating costs	39 344	47 479	445	(10 298)	76 970	70 976
Depreciation	1 598	771	2	–	2 371	2 013
Finance costs	55	56	–	–	111	110
Other expenses	6 491	5 296	1	–	11 788	10 050
Total	**142 580**	**130 946**	**7 310**	**(10 298)**	**270 538**	**264 105**

31. In accordance with IPSAS, the total expenses for 2014, $270.5 million (2013: $264.1 million) represent expenses incurred, both paid and payable. Of the total expenses, regular resources represent $142.6 million, or 52.7 per cent (2013: $138.9 million, or 52.6 per cent), other resources (after reduction for elimination item) represent $120.6 million, or 44.6 per cent (2013: $117.0 million, or 44.3 per cent) and assessed expenses represent $7.3 million, or 2.7 per cent (2013: $8.2 million, or 3.1 per cent). The other resource expenses for the year include programme and project delivery during the year from unspent 2013 budgets as well as current-year budgets (see figure IV.II).

Figure IV.II
2014 expenses



Financial position by funding source

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed*	*31 December 2014*	*31 December 2013*
Total assets	148 626	273 937	4 779	427 342	377 928
Total liabilities	58 350	18 500	4 845	81 695	79 603
Total net assets/equity	**90 276**	**255 437**	**(66)**	**345 647**	**298 325**

32. Total net assets/equity by segment (see note 5 to the financial statements) comprise:

(a) Regular resources, the cash required to fund operations for the first few months of the new financial year while UN-Women awaits new voluntary contributions from donor Governments;

(b) Other resources, the unspent budgets for earmarked projects and programmes which will be expensed in future periods in accordance with donor agreements;

(c) Other items in relation to the financial position by segment as at 31 December 2014 include:

(i) Current assets of $239.3 million exceeding current liabilities of $19.1 million by $220.2 million, indicating that the liquidity of UN-Women is very strong (current assets ratio of 12.5:1; 2013: 8.9:1), with regular resources representing $68.2 million and other resources $166.8 million;

(ii) Investments and cash and cash equivalents amounting to $368.2 million (2013: $309.7 million), with cash and short-term investments of $188.1 million for less than 12 months and $180.2 million for long-term investments;

(iii) Accounts receivable or unpaid voluntary contributions agreements and pledges amounting to $8.3 million (2013: $15.1 million), comprising regular resources or unearmarked pledges of $0.3 million, or 3.6 per cent, and other resources for earmarked projects and programmes of $8.0 million, or 96.4 per cent. The consequence of unpaid voluntary contributions, in particular for other resources, is that implementation of projects and programmes is delayed;

(iv) Employee benefits (contractual obligations to employees, both current and retired) in the amount of $73.2 million (2013: $52.6 million). The main liability relates to after-service health insurance of $53.2 million (2013: $36.2 million), which has been funded in the amount of $30.8 million, or 57.9 per cent (2013: $26.4 million, or 73 per cent). The portion of the liability for after-service health insurance for the category of active employees not yet fully eligible is $30.3 million, or 56.9 per cent of the total after-service health insurance accrued liability;

(v) Reserves include operational reserves of $23.8 million and field accommodation reserves of $1 million, as approved by the Executive Board in its decision 2012/8.

Chapter V

Financial statements for the year ended 31 December 2014

United Nations Entity for Gender Equality and the Empowerment of Women

I. Statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	Reference	*31 December 2014*	*31 December 2013*
Assets			
Current assets			
Cash and cash equivalents	Note 6	19 226	54 728
Investments	Note 7	168 829	197 059
Accounts receivable	Note 8	8 313	15 069
Advances	Note 9	36 964	42 609
Other assets	Note 10	5 733	3 159
Inventories	Note 11	208	110
Total current assets		**239 273**	**312 734**
Non-current assets			
Investments	Note 7	180 182	57 873
Property, plant and equipment	Note 12	7 886	7 321
Other assets	Note 10	1	–
Total non-current assets		**188 069**	**65 194**
Total assets		**427 342**	**377 928**
Liabilities			
Current liabilities			
Accounts payable	Note 13	5 830	23 453
Employee benefits	Note 14	10 524	8 112
Other liabilities	Note 15	2 704	3 545
Total current liabilities		**19 058**	**35 110**
Non-current liabilities			
Employee benefits	Note 14	62 637	44 493
Total non-current liabilities		**62 637**	**44 493**
Total liabilities		**81 695**	**79 603**
Net assets		**345 647**	**298 325**
Net assets/equity			
Accumulated surplus/(deficit)	Note 16	320 847	276 325
Reserves	Note 17	24 800	22 000
Total net assets/equity		**345 647**	**298 325**

The accompanying notes are an integral part of these financial statements.

United Nations Entity for Gender Equality and the Empowerment of Women

II. Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Reference	*2014*	*2013*
Revenue			
Voluntary contributions	Note 18	322 823	275 423
Assessed contributions	Note 19	7 652	8 004
Investment income	Note 20	1 592	1 881
Other revenue	Note 21	816	3 197
Exchange transactions revenue	Note 22	5	–
Total revenue		**332 888**	**288 505**
Expenses			
Employee benefits	Note 23	100 062	89 562
Contractual services	Note 23	60 646	63 874
Grants and other transfers	Note 23	12 589	22 212
Supplies and maintenance	Note 23	6 001	5 308
Operating costs	Note 23	76 970	70 976
Depreciation	Note 23	2 371	2 013
Finance costs	Note 23	111	110
Other expenses	Note 23	11 788	10 050
Total expenses		**270 538**	**264 105**
Surplus/(deficit) for the year		**62 350**	**24 400**

The accompanying notes are an integral part of these financial statements.

United Nations Entity for Gender Equality and the Empowerment of Women

III. Statement of changes in net assets/equity for the year ended 31 December 2014

(Thousands of United States dollars)

	Reference	*2014*	*2013*
Net assets/equity at the beginning of the year		**298 325**	**278 962**
Movement during the year			
Current year surplus/(deficit)		62 350	24 400
IPSAS reserve adjustments during the year	Note 16		
Property, plant and equipment		–	250
Accumulated surplus adjustment for prior year		–	(82)
Refunds to donors	Note 16	(2 782)	(5 995)
Transfer to/(from) accumulated surplus	Note 16	(2 800)	–
Transfer to/(from) operational reserve	Note 17	2 800	–
Actuarial gains/(losses)	Note 16	(12 246)	790
Net assets/equity at the end of the year		**345 647**	**298 325**

The accompanying notes are an integral part of these financial statements.

United Nations Entity for Gender Equality and the Empowerment of Women

IV. Statement of cash flow for the year ended 31 December 2014

(Thousands of United States dollars)

	Reference	*2014*	*2013*
Cash flows from operating activities			
Net surplus/(deficit) for the year		62 350	24 400
Non-cash movements:			
Depreciation	Note 23	2 371	2 013
(Increase)/decrease in accounts receivable		6 756	(3 092)
(Increase)/decrease in other assets		(2 575)	337
(Increase)/decrease in inventories		(98)	(110)
(Increase)/decrease in advances		5 645	4 087
Increase/(decrease) in accounts payable		(17 623)	(34 791)
Increase/(decrease) in employee benefits		20 556	5 165
Increase/(decrease) in other liabilities		(841)	(2 404)
(Gains)/losses on sale of property, plant and equipment	Note 23	59	52
Refunds to donors	Note 16	(2 782)	(5 995)
(Increase)/decrease in actuarial loss reserve	Note 16	(12 246)	790
Investment income	Note 20	(1 592)	(1 881)
Accumulated surplus adjustment for prior years	Note 16	–	(82)
Net cash generated from operating activities		**59 980**	**(11 511)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(3 084)	(3 251)
Increase in IPSAS reserve for property, plant and equipment	Note 16	–	250
Proceeds from sales of property, plant and equipment		89	32
Investment income	Note 20	1 592	1 881
(Increase)/decrease in investments		(94 079)	(36 780)
Net cash generated from investing activities		**(95 482)**	**(37 868)**
Net (decrease)/increase in cash and cash equivalents		**(35 502)**	**(49 379)**
Cash and cash equivalent at beginning of year		54 728	104 107
Cash and cash equivalent at end of year	Note 6	**19 226**	**54 728**

The accompanying notes are an integral part of these financial statements.

United Nations Entity for Gender Equality and the Empowerment of Women

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2014

(Thousands of United States dollars)

	Original budget	*Final budget*	*Actual amounts on comparable basis (restated)*	*Difference between final budget and actual amounts*
Regular budget activities	7 664	7 652	6 840	812
Development activities				
Programme	257 600	212 767	182 451	30 316
Development effectiveness	24 764	25 653	21 323	4 330
United Nations development coordination	13 340	13 154	10 435	2 719
Management activities	47 239	49 077	41 230	7 847
Change management	1 000	1 200	273	927
Total	**351 607**	**309 503**	**262 552**	**46 951**

The accompanying notes are an integral part of these financial statements; see also note 25.

United Nations Entity for Gender Equality and the Empowerment of Women

Notes to the financial statements

Note 1
Reporting entity

The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) was established by the General Assembly in its resolution 64/289 of 2 July 2010 and became operational in January 2011. Grounded in the vision of equality enshrined in the Charter of the United Nations, UN-Women works towards: the elimination of discrimination against women and girls; the economic empowerment of women; the achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action and peace and security.

UN-Women is mandated to support intergovernmental bodies, such as the Commission on the Status of Women, in their formulation of policies, global norms and standards. The Entity mobilizes political will and resources to help Member States implement those standards, standing ready to provide suitable technical and financial support to those countries that request it, and to forge successful partnerships with civil society. Furthermore, UN-Women has been assigned the mandate to hold the United Nations system accountable for its own commitment on gender equality through the system-wide action programme.

UN-Women is governed by its Executive Board, which consists of representatives of its Member States. The Executive Board guides the strategic direction and policies of the Entity to ensure that all operational aspects of the activities of UN-Women are executed effectively by the Executive Director and Under-Secretary-General.

UN-Women is headquartered in New York and is expanding its presence at the regional and country levels. The roll-out of the regional architecture, with 6 regional offices, 6 multi-country offices and 47 country offices, is designed to ensure that UN-Women has the presence and field capacity to deliver against its mandate. UN-Women also has programme presence in over 30 countries to pursue its goals of achieving gender equality and the empowerment of women. UN-Women serves the donor community with liaison offices in Brussels and Copenhagen.

Note 2
Significant accounting policies

(a) Basis of preparation and authorization for issue

Authorization for issue

In accordance with financial regulation 12.1 of UN-Women, the Executive Director is responsible for the financial statements of the Entity. The Director, Division of Management and Administration, has certified that, to the best of his knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules. The Executive Director authorized for issue these financial statements on 30 April 2015.

Statement of compliance with the International Public Sector Accounting Standards

The financial statements of UN-Women have been prepared on an accrual and going concern basis in accordance with the International Public Sector Accounting Standards (IPSAS). Where an IPSAS pronouncement does not address a particular issue, the appropriate International Financial Reporting Standard has been applied.

Basis of recognition of revenue and expenses

Under the accrual basis of accounting, revenue and expenses (except for non-exchange transactions) are recognized in the financial statements in the period to which they relate.

Revenue

Voluntary contributions are recognized as revenue when written confirmation is received from a donor during the financial year, based on the fair value of the benefit received unless any stipulation defers this recognition. Multi-year agreements are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Cash received relating to future financial years is recognized as deferred income at the year end.

Assessed contributions are issued as an annual allotment from the United Nations regular budget and are assessed and approved for a two-year budget period. The amount of those contributions is then apportioned between the two years and recognized on a monthly basis.

In-kind contributions, except services, that directly support approved operations and activities, which have budgetary impact and can be reliably measured, are recognized at fair value as expense and contribution. Those contributions include use of premises, utilities and transport.

In-kind contributions of services are not recognized, but the estimated cost saving is disclosed.

Donated property, plant and equipment are valued at fair market value and recognized as fixed assets and contribution. The donated right to use an asset is valued at the fair market value of the right to use. The excess of the fair market value of the right to use over any sums actually paid is shown as contribution income together with a matching expense. When transferred assets are received as contributions in-kind and conditions requiring their return upon non-performance are disclosed in the agreements, a liability is initially recognized. When these conditions are satisfied, the revenue is recognized. When restrictions are disclosed in the agreements which do not require their return, the revenue is recognized upon confirmation of contributions.

Revenue from exchange transactions is recognized when it is probable that future economic benefits or service potential will flow to UN-Women and those benefits can be measured reliably. Revenue should be measured at the fair value of the consideration received or receivable. When the consideration is cash or in a monetary amount, measurement shall be at this amount.

Expenses

Expenses are recognized when goods are delivered and services are rendered. Project expenses are recognized once UN-Women receives a financial report from the partner in order to evidence the completion of activities.

Under IPSAS, the matching principle of revenue and expense does not apply for non-exchange transactions. The focus of IPSAS is the financial position, which is evidenced by the recognition of assets when there is sufficient control and of liabilities when the criteria to recognize liabilities exist. As a consequence, the excess of revenue over expenses results in a surplus (or the excess of expenses over revenue results in a deficit), which is carried forward to the accumulated surplus or deficit. Accumulated surplus represents the unexpended portion of contributions to be utilized for future operational requirements of UN-Women.

(b) Foreign currency transactions

The functional and reporting currency of UN-Women is the United States dollar. Where transactions have been made in currencies other than the United States dollar, the amounts are translated into United States dollars at the prevailing United Nations operational rates of exchange at the date of the transaction. Monetary assets and liabilities in currencies other than the United States dollar are translated into the United States dollar at the prevailing United Nations operational rate of exchange in effect at the reporting date. Non-monetary assets and liabilities denominated in a currency other than the United States dollar that are measured at historical cost are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses, both realized and unrealized, resulting from such transactions are accounted for in the statement of financial performance.

(c) Financial instruments

Financial instruments are recognized when UN-Women becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and UN-Women has transferred substantially all the risks and rewards of ownership.

Financial assets classification

UN-Women classifies financial assets into the following categories: held-to-maturity; available-for-sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UN-Women initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UN-Women becomes party to the contractual provisions of the instrument.

Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements, and assets denominated in foreign currency are translated into the United States dollar at the United Nations operational rate prevailing at the reporting date with gains and losses recognized in surplus or deficit in the statement of financial performance.

IPSAS classification	*Type of financial asset*
Held-to-maturity	Investments
Available-for-sale	None as at 31 December 2014
Loans and receivables	Cash and cash equivalents, accounts receivable, advances and other receivables
Fair value through surplus and deficit	None as at 31 December 2014

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UN-Women has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method. UN-Women classified its investment portfolio as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recorded at fair value plus transaction costs and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices from reputable vendors. As at 31 December 2014, UN-Women had no outstanding balances of financial assets classified in this category.

Loans and receivables

Cash and cash equivalents include cash, short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value, net of impairment for restricted-use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Accounts receivable are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that UN-Women will not be able to collect all amounts due according to the original terms of the receivable.

Advances and other receivables are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. Advances represent cash advance payments to partners contracted in the context of programme execution. These advances are recognized at fair value as a receivable. The expense is recognized in the statement of financial performance once UN-Women receives a financial report from the partner to evidence completion of activities. Advances also include payments on behalf of United Nations agencies and staff members are also issued cash advance payments which are recognized at fair value as receivables. The expense is recognized when the advance is liquidated through a claim or repayment of the advance. Other receivables represent prepayments on contracts where goods or services are yet to be delivered or rendered.

(d) Inventories

Inventories held for distribution at no charge are stated at the lower of cost and current replacement cost. As there is no related revenue for inventory distributed, the expense is recognized when the goods are distributed. No-charge publication materials that would be defined as inventory are technical publications that relate directly to the programmatic and normative operations and are under the control of UN-Women. These publications must also have longevity where their content remains relevant and valid for more than a 12-month period to be defined as inventory. Publications produced by partners and held for distribution or used by them are not considered to be under the control of UN-Women and therefore are not inventory. No-charge publication materials and campaign brochures prepared by UN-Women for only advertising and promotional information purposes are not inventory. These items normally do not have longevity and are generally used within a 12-month period, as they are produced for a one-off event or purpose, and therefore the value of any remaining materials on hand at year end would be significantly depreciated. Accordingly, the cost of publication material and campaign brochures used for advertising and promotional information is recognized as an expense when incurred.

Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories acquired through a non-exchange transaction (e.g., donated goods) is measured as their fair value at the date of acquisition. As at 31 December 2014, UN-Women did not have any inventories held for sale and had not acquired any inventory through a non-exchange transaction.

(e) Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and any impairment losses. The capitalization threshold for property, plant and equipment for which UN-Women has control is a total cost of at least $1,000 per unit. Depreciation is provided for property, plant and equipment over the estimated useful life of each asset using the straight-line method, except for land, which is not subject to depreciation. Historic cost includes expenditure directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when

it is probable that future economic benefits associated with the item will flow to UN-Women and the cost can be measured reliably. The estimation of the useful life of the asset is a matter of judgement based on the experience of UN-Women with similar assets. Therefore, the useful life of an asset may be shorter than its economic life. Repair and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

UN-Women is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if the Entity can exclude or regulate the access of third parties to the asset. This can be the case when UN-Women is implementing a project directly. Project assets that are not controlled by UN-Women are expensed as incurred. Leasehold improvements are recognized as assets, valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term. Impairment reviews are undertaken for all assets at least annually.

The estimated useful life ranges in years for property, plant and equipment classes are set out in the table below.

Class	*Estimated useful life*
Land	Not applicable
Buildings	
Permanent	50
Temporary	10
Furniture and fixtures	8
Communications and information technology equipment	3-5
Vehicles	6
Machinery and equipment	5
Security equipment	5

(f) Intangible assets

UN-Women does not currently hold any intangible assets. Under IPSAS, intangible assets with a finite life are carried at cost less accumulated amortization and any impairment loss. Intangible assets are capitalized provided they have a useful life of more than one year and a cost exceeding $50,000 for externally acquired and a cost exceeding $500,000 for internally generated. Amortization is provided on a straight-line basis on all intangible assets of finite life in accordance with its useful life. Where the intangible asset has an indefinite useful life, it will not be amortized but will be reviewed for impairment by comparing its recoverable service amount with its carrying amount.

(g) Leases

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The value of the future lease payments within the current lease term is disclosed in note 27.

Leases where the lessee retains a significant portion of the risks and rewards inherent to ownership are classified as finance leases. UN-Women has not entered into any finance leases.

(h) Employee benefits

UN-Women recognizes the following employee benefits:

(a) Short-term employee benefits, which fall due wholly within 12 months after the end of the accounting period in which employees render the related service;

(b) Long-term employee benefits, which are due to be settled beyond 12 months after the employees render the related service and include:

(i) Post-employment benefits (see Pension and After-Service Health Insurance below);

(ii) Other long-term employee benefits;

(c) Termination benefits.

Short-term employee benefits are measured at their nominal value based on accrued entitlements at current rates of pay. These benefits may include, at year end, remuneration, accrued annual leave, home leave liability and other short-term benefits.

Post-employment benefits include pension plans, post-employment medical care, repatriation benefits and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

UN-Women is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Pension Fund, membership in the Pension Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UN-Women and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Entity's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UN-Women has treated this plan as if it were a defined contribution plan in line with the requirements of International Public Sector Accounting Standard 25. The contributions of UN-Women to the plan during the financial period are recognized as expenses in the statement of financial performance.

The after-service health insurance plan extends subsidized health insurance coverage to retirees and their dependants under the same health insurance schemes as

for active staff based on certain eligibility requirements. The after-service health insurance plan is a defined benefit plan.

Other long-term employee benefits are employee benefits that do not fall due wholly within 12 months after the end of the financial period and include long-term compensation in the event of death, injury or illness.

Termination benefits generally include indemnities for voluntary redundancy and are expected to be settled within 12 months of the reporting period.

(i) Financial liabilities

IPSAS classification	*Type of financial liability*
Other financial liabilities	Accounts payable and accruals, other liabilities
Fair value through surplus and deficit	None as at 31 December 2014

Other financial liabilities

Other financial liabilities are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with duration of less than 12 months are recognized at their nominal value.

Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods are delivered or services are rendered and accepted by UN-Women. Liabilities are stated at invoice amounts less payment discounts at the reporting date. The liability is estimated where invoices are not available at the reporting date.

Other liabilities include deferred income, representing funds received in advance for future years from multi-year donor agreements which are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Other payables represent reimbursable services rendered by the United Nations and United Nations agencies.

Fair value through surplus and deficit financial liabilities

Fair value through surplus and deficit financial liabilities are liabilities that are designated on initial recognition or are held for trading. They are initially recorded at fair value, and any transaction costs are expensed. The liabilities are measured at fair value again at each reporting date, and any resultant fair value gains or losses are recognized through surplus and deficit.

UN-Women classifies derivatives as financial liabilities at fair value through surplus and deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as

current liabilities if they are expected to be settled within 12 months of the reporting date. At 31 December 2014, UN-Women had no open foreign exchange derivative instruments positions in this category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UN-Women does not apply hedge accounting for derivatives.

(j) Provisions and contingent liabilities

Provisions are made for future liabilities and charges where UN-Women has a present legal or constructive obligation as a result of past events, it is probable that UN-Women shall be required to settle the obligation and a reliable estimate can be made of the obligation.

Other obligations, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence shall be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of UN-Women and the liability can be reliably estimated.

(k) Commitments

Commitments are future expenses to be incurred by UN-Women on contracts entered into by the reporting date and that the Entity has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UN-Women in a future period, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position but is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

Note 3
Change in accounting estimate

UN-Women conducted the annual review of useful lives for the financial year ended 31 December 2014. Based on this review, it was decided that the useful lives for two categories of assets would be amended prospectively from 1 April 2015. The communications and information technology equipment estimated useful life range will move from 3-5 years to 3-6 years and for vehicles, the range will move from 6 years to 7 years.

Note 4
Critical accounting estimates and judgements

The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates and management assumptions and judgement. The areas where estimates, assumptions or judgement are significant to the financial statements of UN-Women include, but are not limited to, post-employment benefits obligations, provisions, financial risk on accounts receivable and advances, accrued charges, contingent assets and liabilities, and degree of impairment of accounts receivable, advances, investments and property.

plant and equipment. Actual results could differ from those estimates. Changes in estimates are recognized in the period in which they became known.

Note 5
Segment reporting

Segment reporting is required to evaluate an entity's past performance and to make decisions about an entity's future allocation of resources. UN-Women reports the following segments:

(a) The regular resources segment reflects the operations of voluntarily donated funds to UN-Women to be used to achieve the mandate of UN-Women at the discretion of the Executive Director of UN-Women;

(b) The other resources segment represents earmarked voluntarily donated funds to UN-Women for specific projects;

(c) The assessed resources segment represents sums assessed on Member States and transferred to UN-Women by the General Assembly.

Inter-segment transactions are disclosed in the segment reporting but eliminated in the statement of financial position and statement of financial performance.

Statement of financial position by segment as at 31 December 2014

(Thousands of United States dollars)

	2014				
	Regular resources	*Other resources*	*Assessed resources*	*Total*	*31 December 2013*
Assets					
Current assets					
Cash and cash equivalents	7 970	11 208	48	19 226	54 728
Investments	50 009	114 582	4 238	168 829	197 059
Accounts receivable	338	7 975	–	8 313	15 069
Advances	4 655	32 287	22	36 964	42 609
Other assets	5 235	498	–	5 733	3 159
Inventories	–	208	–	208	110
Non-current assets					
Investments	74 691	105 038	453	180 182	57 873
Property, plant and equipment	5 727	2 141	18	7 886	7 321
Other assets	1	–	–	1	–
Total assets	**148 626**	**273 937**	**4 779**	**427 342**	**377 928**
Liabilities					
Current liabilities					
Accounts payable	2 796	3 049	(15)	5 830	23 453
Employee benefits	7 586	2 239	699	10 524	8 112
Other liabilities	2 817	(113)	–	2 704	3 545

	2014				
	Regular resources	*Other resources*	*Assessed resources*	*Total*	*31 December 2013*
Non-current liabilities					
Employee benefits	45 151	13 325	4 161	62 637	44 493
Total liabilities	**58 350**	**18 500**	**4 845**	**81 695**	**79 603**
Net assets	**90 276**	**255 437**	**(66)**	**345 647**	**298 325**
Net assets/equity					
Accumulated surplus/(deficit)	58 190	205 692	450	264 332	248 809
Prior-period adjustment	–	–	–	–	(82)
Current year surplus/(deficit)	21 961	40 047	342	62 350	24 400
Operational reserves	23 800	–	–	23 800	21 000
Field accommodation reserve	1 000	–	–	1 000	1 000
Actuarial gains/(losses)	(15 867)	–	–	(15 867)	(3 621)
IPSAS reserve	1 192	12 480	(858)	12 814	12 814
Refunds to donors	–	(2 782)	–	(2 782)	(5 995)
Total net assets/equity	**90 276**	**255 437**	**(66)**	**345 647**	**298 325**

Total net assets/equity in accordance with the statement of financial position by segment includes:

(a) Regular resources: the cash required to fund operations for the first few months of the new financial year while UN-Women waits for new voluntary contributions from donor Governments;

(b) Other resources: the unspent budgets for earmarked projects and programmes which will be expensed in future periods in accordance with donor agreements.

Statement of financial performance by segment for the year ended 31 December 2014

(Thousands of United States dollars)

	2014					
	Regular resources	*Other resources*	*Assessed resources*	*Elimination*	*Total*	*2013*
Revenue						
Contributions	163 664	159 160	7 652	–	330 476	283 427
Investment income	686	906	–	–	1 592	1 881
Other revenue	161	10 952	–	(10 298)	815	3 197
Exchange transactions revenue	30	(25)	–	–	5	–
Total revenue	**164 541**	**170 993**	**7 652**	**(10 298)**	**332 888**	**288 505**

	2014					
	Regular resources	*Other resources*	*Assessed resources*	*Elimination*	*Total*	*2013*
Expenses						
Employee benefits	73 173	20 143	6 746	–	100 062	89 562
Contractual services	18 333	42 206	107	–	60 646	63 874
Grants and other transfers	902	11 687	–	–	12 589	22 212
Supplies and maintenance	2 684	3 308	9	–	6 001	5 308
Operating costs	39 344	47 479	445	(10 298)	76 970	70 976
Depreciation	1 598	771	2	–	2 371	2 013
Finance costs	55	56	–	–	111	110
Other expenses	6 491	5 296	1	–	11 788	10 050
Total expenses	**142 580**	**130 946**	**7 310**	**(10 298)**	**270 538**	**264 105**
Surplus/(deficit) for the period	**21 961**	**40 047**	**342**	**–**	**62 350**	**24 400**

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery of 8 per cent established by the Executive Board of UN-Women in its decision 2013/2 of 8 February 2013, with effect from 1 January 2014 (7 per cent in prior years). These indirect costs charged have been recognized during the year as an increase in support cost income, and at year end those amounts comprised the elimination items.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Cash in bank accounts	3 516	1 902
Petty cash	23	26
Money market, term deposits and commercial paper	15 687	52 800
Total	**19 226**	**54 728**

Cash and cash equivalents are comprised of balances held by field offices, money market account balances, term deposits and commercial paper with terms of less than three months. Cash required for immediate disbursement is maintained in cash and bank accounts. Money market and deposit accounts are available at short notice. Cash and cash equivalents relates to both regular resources and other resources.

Note 7
Investments

(Thousands of United States dollars)

	Closing balance 31 December 2013	*Purchases*	*Maturities*	*Amortization*	*Unrealized gains losses*	*Reclassification non-current to current*	*Closing balance 31 December 2014*	*Fair value*
Current investments								
Money market instruments	74 958	159 000	(194 000)	42	–	–	40 000	40 000
Bonds and notes	122 101	42 340	(128 417)	(1 688)	–	94 493	128 829	128 817
Subtotal	**197 059**	**201 340**	**(322 417)**	**(1 646)**	**–**	**94 493**	**168 829**	**168 817**
Non-current investments								
Money market instruments	–	–	–	–	–	–	–	–
Bonds and notes	57 873	218 961	–	(2 159)	–	(94 493)	180 182	180 070
Subtotal	**57 873**	**218 961**	**–**	**(2 159)**	**–**	**(94 493)**	**180 182**	**180 070**
Total investments	**254 932**	**420 301**	**(322 417)**	**(3 805)**	**–**	**–**	**349 011**	**348 887**

Held-to-maturity financial assets are carried at amortized cost calculated by using the effective interest method. As at 31 December 2014, the fair value of those assets was lower than the book value by $0.124 million. Fair values are based on quoted market prices from reputable vendors. UN-Women had no impaired investments during the year. The average yield on investments for 2014 was 0.52 per cent (2013: 0.63 per cent).

The exposure of UN-Women to credit risk, market risk and currency risks, and its risk management activities related to financial assets, including investments, are discussed in note 24.

The Entity's investments include funding for after-service health insurance, repatriation and death benefits in the amount of $32.6 million, in accordance with note 14, operational reserve, in the amount of $23.8 million, and field accommodation reserve, in the amount of $1 million, in accordance with note 17. Investments relates to both regular resources and other resources.

Note 8
Accounts receivable

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Contributions receivable	8 536	15 106
Less: allowance for impairment of receivables	(223)	(37)
Total accounts receivable	**8 313**	**15 069**

Contributions receivable represents uncollected revenue committed to UN-Women by donors. The allowance for impairment on receivables is calculated based on an aged analysis of the outstanding balance.

Note 9
Advances

(Thousands of United States dollars)

		31 December 2014		*31 December 2013*
Advances provided to United Nations agencies		4 705		4 684
Advances provided to other partners		36 712		40 382
Shown by fund type:				
Regular resources (uncarmarked)	3 356		6 509	
Other resources (earmarked)				
Cost-sharing	15 444		11 963	
Ending Violence against Women Trust Fund	10 896		12 170	
Fund for Gender Equality	7 016		9 740	
Less: Allowance for impairment of advances to partners		(5 990)		(3 882)
Subtotal		**35 427**		**41 184**
Advances to staff		1 537		1 425
Total advances		**36 964**		**42 609**

Advances from non-exchange transactions relates to transfers made to partners in connection with programme execution, and to staff. Such advances are recognized as an asset and are stated at historical cost less an allowance for impairment.

Advances to partners are reduced and expenses are recognized when certified expense reports are received from partners. As at 31 December 2014, approximately 80 per cent of the total outstanding advances provided to partners are aged less than 12 months and relate to implementation of programmatic activities for 2014.

Advances to staff include salary and rental advances and prepaid education grants, which are generally settled within a 12-month period.

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Current assets		
Interest receivable and accrued interest	1 955	2 023
Prepaid expenses	30	18
Receivable from United Nations agencies		
United Nations Development Programme	1 429	–
United Nations Office for Project Services	–	147
United Nations Population Fund	39	32
Miscellaneous accounts receivable	2 280	939
Subtotal	**5 733**	**3 159**
Non-current assets		
Security deposit	1	–
Subtotal	**1**	**–**
Total other assets	**5 734**	**3 159**

The receivable from UNDP includes a timing difference of $0.011 million; the balance reflected in UNDP financial statements is $1.42 million. Miscellaneous accounts receivable includes value added tax/sales tax, security deposit on rental premises and expenditure paid in advance.

Note 11
Inventories

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
No-charge technical publications	208	110
Total inventories	**208**	**110**

Inventories represents no-charge publication materials defined in accordance with the Accounting Policy Manual, which are technical publications that relate directly to the programmatic and normative operations and are under the control of UN-Women. These publications also have longevity where their content remains relevant and valid for longer than a 12-month period.

Note 12
Property, plant and equipment

(Thousands of United States dollars)

	Building	*Communication and information technology equipment*	*Furniture and fixtures*	*Vehicles*	*Heavy machinery equipment*	*Security equipment*	*Leasehold improvements*	*Total*
At 31 December 2013								
Cost	218	5 470	814	5 044	648	375	761	13 330
Accumulated depreciation	(67)	(2 685)	(180)	(2 606)	(310)	(120)	(41)	(6 009)
Net book value	**151**	**2 785**	**634**	**2 438**	**338**	**255**	**720**	**7 321**
Movements year to 31 December 2014								
Additions	–	1 118	113	940	221	32	576	3 000
Receipt accrual	–	(1)	–	–	73	–	(3)	69
Cost adjustments	–	(16)	8	13	–	(1)	11	15
Transfers	–	8	–	(4)	–	(4)	–	–
Retirements	–	(366)	(46)	(417)	(62)	(1)	–	(892)
Retirements — accumulated depreciation	–	31	12	370	52	–	–	744
Depreciation	(22)	(1 106)	(109)	(833)	(122)	(73)	(106)	(2 371)
Closing net book value as at 31 December 2014	**129**	**2 732**	**612**	**2 507**	**500**	**208**	**1 198**	**7 886**
At 31 December 2014								
Cost	218	6 219	889	5 573	880	277	1 345	15 521
Accumulated depreciation	(89)	(3 487)	(277)	(3 066)	(380)	(189)	(147)	(7 635)
Net book value	**129**	**2 732**	**612**	**2 507**	**500**	**208**	**1 198**	**7 886**

Property, plant and equipment are capitalized if cost is greater or equal to the threshold limit set at $1,000 per unit. The assets are depreciated over their estimated useful life using the straight-line method. Assets are reviewed annually to determine if there is any impairment in their value and as at 31 December 2014, UN-Women did not have any impairment on property, plant and equipment. UN-Women holds fully depreciated property, plant and equipment which is still in use, with a cost of $2.12 million as at 31 December 2014.

Note 13
Accounts payable

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Payables to third parties	3 303	3 795
Payables to United Nations agencies		
United Nations Development Programme	–	17 452
United Nations Office for Project Services	155	–
United Nations Capital Development Fund	2	10
Accruals	2 370	2 196
Total accounts payable	**5 830**	**23 453**

Payables to third parties are related to amounts due for goods and services for which invoices have been received. Payables to United Nations agencies represent expenditure incurred on behalf of UN-Women which are settled in the following year.

Accruals represents estimates for the value of goods or services received, for which invoices have not yet been received and for which the liability has occurred and can be reasonably estimated.

Note 14
Employee benefits

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Current employee benefits		
Accrued annual leave	5 966	5 594
Accrued home leave	1 192	993
After-service health insurance	268	190
Repatriation benefits	849	1 021
Death benefit	15	14
Other employee benefits	2 234	300
Subtotal	**10 524**	**8 112**
Non-current employee benefits		
After-service health insurance	52 936	36 001
Repatriation benefits	9 532	8 348
Death benefit	169	144
Subtotal	**62 637**	**44 493**
Total employee benefits	**73 161**	**52 605**

(a) Current employee benefits

The current portion of employee benefits includes annual leave and home leave calculated in accordance with United Nations Staff Rules and Regulations, and other employee benefits representing accruals for learning and security costs. Also included are the current portions of accrued after-service health insurance, repatriation benefits and death benefits, as determined by actuarial valuation.

(b) Non-current employee benefits

The non-current portion of employee benefits includes the non-current portions of after-service health insurance, repatriation benefits and death benefits, as determined by actuarial valuation.

Actuarial valuations

The actuarial valuation for after-service health insurance, repatriation benefits and death benefits was prepared for the purpose of providing results for financial disclosure and reporting as at 31 December 2014 in accordance with IPSAS 25: Employee benefits.

After-service health insurance

UN-Women provides end-of-service medical benefits for its eligible former staff members and their dependants in the form of insurance premiums for the medical and accident insurance plan. Eligible former staff members are 55 years of age and older and have 5 or more years of service for staff hired before 1 July 2007, or 10 or more years of service for staff hired on or after 1 July 2007 of contributory health insurance coverage prior to retirement.

The non-current portion of after-service health insurance of $52.9 million includes an obligation for active staff — not yet fully eligible amounts to $30.3 million, which represents active employees who are not yet eligible as of the valuation date and are determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of $30.759 million as at 31 December 2014, and a funding plan for providing 8 per cent commenced from 1 January 2014. The assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

The present value of the defined benefit obligations for post-employment medical insurance is determined using the projected unit credit method, including discounting the estimated future cash outflows.

Repatriation benefits

UN-Women provides end-of-service repatriation benefits (grant and travel and shipment of personal effects) for its eligible staff members and their dependants upon separation. Eligible staff are international appointments who have been separated from active service after qualifying service of one year or longer, who resided at the last duty station outside their country of nationality and have not been summarily dismissed or separated from service on grounds of abandonment of post.

The non-current portion of repatriation benefits of $9.5 million includes an obligation for active staff — not yet fully eligible amounts to $8.9 million, which represents active employees who are not yet eligible as of the valuation date and which is determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of $1.643 million as at 31 December 2014, and a funding plan for providing 3.75 per cent commenced from 1 January 2014. The assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

Death benefits

Death benefit is a post-employment defined-benefit plan. The obligation to provide this entitlement is generated when eligible employees report for service. The payment is made upon the death of an employee who leaves behind a surviving spouse or a dependent child. Staff members on full-time continuous service, on fixed-term, or continuing or permanent appointment are eligible to receive death benefits provided that the staff members are married or have dependent children at their death. No benefit is payable in the case of staff members who are unmarried and/or without recognized dependent children. The plan is fully funded to the amount of $0.184 million as at 31 December 2014.

The movement in the present value of the defined benefit in accordance with the actuarial valuation was as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Death benefit*
Restated net defined benefit obligation at the beginning of the year	**36 191**	**9 368**	**158**
Increase of the obligation			
Service cost	3 669	1 156	23
Interest on obligation	1 833	389	6
Actuarial loss	11 711	535	12
Decrease of the obligation			
Benefit payments	(200)	(1 066)	(15)
Net recognized liability at the end of the year	**53 204**	**10 382**	**184**

The annual expense amounts recognized in the statement of financial performance are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*
Service cost	3 669	1 156
Interest on obligation	1 833	389
Total expenses recognized	**5 502**	**1 545**

Actuarial assumptions

The end-of-service liabilities were valued with the Citigroup Pension Discount Curve. Actuarial valuations were performed using the full discount curves, and once the results were obtained, single equivalent discount rates per scheme were determined for disclosure purposes. The single equivalent discount rates determined for each scheme are: after-service health insurance, 4.06 per cent; repatriation grant, 3.56 per cent; and death benefits, 3.48 per cent. A review was conducted by the actuary of a number of sources and the long-term rate of inflation assumption was based on 2.25 per cent. Other actuarial assumptions were:

Health-care cost trend rates (varies by medical plan)	5 -7.3%
Salary increase rate (varies by age and staff category)	5-10.8%
Per capita claim cost (varies by age)	$897-$12 646

Benefits under the after-service health insurance plans are attributed in proportion to the years of service from date of hire until full eligibility date, in accordance with the straight-line basis method. Repatriation benefits are attributed based on the benefit formula. Benefits under the death benefit plan are attributed in proportion to the years of service from the date of hire until full eligibility date, in accordance with the straight-line basis method.

Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

Rates of death — Pre-retirement	*At age 20*	*At age 69*
Male	0.00065	0.00906
Female	0.00034	0.00645

Rates of death — Post-retirement	*At age 20*	*At age 70*
Male	0.00072	0.01176
Female	0.00037	0.00860

Rate of retirement — Professionals with 30 or more years of experience	*At age 55*	*At age 70*
Male	0.16	1.00
Female	0.20	1.00

If the assumptions described above were to change, in accordance with the actuarial report, this would have an impact on the measurement of defined benefit obligations and current service and interest costs as shown in the table below:

(Thousands of United States dollars)

	Change	*After-service health insurance*	*Repatriation benefits*	*Death benefits*
Impact of change in assumptions		**36 191**	**9 368**	**158**
Discount rate sensitivity to end-of-year liability				
Increase of discount rate by	1%	(11 467)	(1 078)	(15)
As a percentage of end-of-year liability		-22%	-10%	-8%
Decrease of discount rate by	(1%)	14 879	1 232	17
As a percentage of end-of-year liability		28%	12%	9%
Effect of change in assumed health-care cost trend rates				
Effect on year-end accumulated post-employment benefit obligation				
Increase of health-care cost trend rate by	1%	14 244	Not applicable	Not applicable
Decrease of health-care cost trend rate by	(1%)	(10 701)	Not applicable	Not applicable
Effect on combined service and interest cost components on net				
Increase of health-care cost trend rate by	1%	2 552	Not applicable	Not applicable
Decrease of health-care cost trend rate by	(1%)	(2 133)	Not applicable	Not applicable

The best estimate of contributions expected by UN-Women to be paid for the next 12 months for after-service health insurance is $0.2 million, and for repatriation benefits, $0.5 million.

United Nations Joint Staff Pension Fund

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The financial obligation of UN-Women to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable

remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as at 31 December 2015.

At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of article 26.

In December 2012 and April 2013 the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation, respectively, for new participants in the Fund, with effect not later than from 1 January 2014. The related change to the Regulations of the Pension Fund was approved by the Assembly in December 2013. The increase in the normal retirement age will be reflected in the actuarial valuation of the Pension Fund as at 31 December 2013.

During 2014, UN-Women's contributions paid to the Pension Fund amounted to $11.733 million (in 2013, $9.823 million).

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed by visiting the Pension Fund at www.unjspf.org.

Note 15
Other liabilities

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Deferred income	1 627	146
Other payables	1 077	3 399
Other current liabilities	**2 704**	**3 545**

Deferred income represents funds received in advance for future years from multi-year donor agreements which are apportioned by calendar year over the period of the agreement and recognized when conditions are met.

Other payables represent reimbursable services rendered by the United Nations and United Nations agencies.

Note 16
Accumulated surplus or deficit

The movement in the accumulated surplus or deficit during the year is shown below.

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Accumulated surplus/(deficit) at the beginning of the year	**276 325**	**256 962**
Current-year surplus/(deficit)	62 350	24 400
Accumulated surplus adjustment for prior year	–	(82)
IPSAS reserves	–	250
Transfer to operational reserve	(2 800)	–
Refunds to donors	(2 782)	(5 995)
Actuarial gain/(loss)	(12 246)	790
Accumulated surplus/(deficit) at the end of the year	**320 847**	**276 325**

(a) IPSAS reserve

There were no adjustments to the IPSAS reserves during the year.

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
IPSAS reserve at the beginning of the year	**12 814**	**12 564**
Increase/(decrease) during year		
Accounts receivable	–	–
Property, plant and equipment	–	250
IPSAS reserve at the end of the year	**12 814**	**12 814**

(b) Refunds to donors

Refunds to donors represents funds returned to donors in accordance with agreements after the completion of activities for projects and programmes. In 2014 refunds to donors included $1 million to the Government of Spain relating to other resources which were converted into regular resources contribution in the same year.

(c) Actuarial gains or losses

Actuarial losses relating to after-service health insurance and repatriation benefit obligations in the amount of $12.246 million are accounted for using the "reserve recognition" approach and are recognized through net assets in the statement of financial position and in the statement of changes in net assets in the year in which they occur (see note 14).

Note 17
Reserves

The movement in the reserves during the year is shown below.

(Thousands of United States dollars)

	31 December 2013	*Movements*	*31 December 2014*
Operational reserve	21 000	2 800	23 800
Field accommodation reserve	1 000	–	1 000
Total reserves	**22 000**	**2 800**	**24 800**

(a) Operational reserve

UN-Women maintains an operational reserve of $23.8 million, the purpose of which is to guarantee the financial viability and integrity of the agency. The reserve is fully funded and held in irrevocable and promptly available liquid assets which are included in the pool of investments of UN-Women. The elements to be compensated for and covered by it shall be limited to downward fluctuations or shortfalls in resources: uneven cash flows, increases in actual costs as compared to planning estimates or fluctuations in delivery; and other contingencies that result in a loss of resources for which UN-Women has made commitments for programming. The operational reserve was increased in 2014 by $2.8 million, in accordance with Executive Board decision 2012/8 of 30 November 2012.

(b) Field accommodation reserve

A reserve for field office accommodation, of $1 million, was established in accordance with Executive Board decision 2012/8. With the establishment of regional offices and the ongoing potential for increased participation in United Nations common premises, UN-Women may incur additional costs to finance its share. UN-Women can make drawdowns from the reserve which will be replenished from the accumulated surplus on an annual basis. During 2014, a drawdown and replenishment was made from/to this reserve.

Note 18
Voluntary contributions

(Thousands of United States dollars)

	2014	*2013*
Contributions	321 676	274 816
Contributions in-kind	1 147	607
Total voluntary contributions	**322 823**	**275 423**

In-kind contributions representing rent and vehicles provided by Governments and United Nations agencies amounted to $1.147 million. In-kind services provided to UN-Women during the year amounted to $0.74 million and are not recorded as income in these financial statements, in accordance with the accounting policies of UN-Women.

Note 19
Assessed contributions

(Thousands of United States dollars)

	2014	*2013*
Assessed contributions	7 652	8 004
Total assessed contributions	**7 652**	**8 004**

Assessed contributions are issued as an annual allotment from the United Nations regular budget.

Note 20
Investment income

(Thousands of United States dollars)

	2014	*2013*
Interest income	5 439	5 859
Amortization on investments	(3 847)	(3 978)
Total investment income	**1 592**	**1 881**

Amortization on investments relates to the net bond income balance from amortizing of premiums (debit) and discounts (credit). These premiums and discounts are part of the initial purchase price of bonds and, in observance of accrual accounting principle, are amortized to maturity or call. A debit has resulted because the average bond portfolio during 2014 was overwhelmingly comprised of premium bonds.

Note 21
Other revenue

(Thousands of United States dollars)

	2014	*2013*
Currency exchange gains	484	3 168
Miscellaneous income	248	29
Fees and support services	10 382	8 044
Less elimination	(10 298)	(8 044)
Total other revenue	**816**	**3 197**

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery of 8 per cent established by the UN-Women Executive Board in its decision 2013/2, with effect from 1 January 2014 (see note 5).

Note 22
Exchange transactions revenue

(Thousands of United States dollars)

	2014	*2013*
Exchange revenue	5	–
Total revenue from exchange transactions	**5**	**–**

Revenue from exchange transactions represents the delivery of training for gender equality courses to other United Nations entities, Governments, civil society organizations and the general public.

Note 23
Expenses

(Thousands of United States dollars)

	2014	*2013*
Employee benefits		
Salary and wages	68 028	61 157
Pension benefits	11 733	10 417
Post-employment and termination benefits	7 536	6 037
Leave benefits	1 855	1 763
Other employee benefits	10 904	10 181
Related agency costs	6	7
Subtotal	**100 062**	**89 562**
Contractual services		
Contract services with individuals	44 118	44 884
Contract services with companies	15 809	18 334
United Nations Volunteers costs	719	656
Subtotal	**60 646**	**63 874**
Grants and other transfers		
Grants	12 589	22 212
Subtotal	**12 589**	**22 212**
Supplies and maintenance		
Maintenance and non-capitalized property	3 112	3 195
Maintenance and non-capitalized information technology and communications equipment	932	900
Maintenance and non-capitalized software and licences	1 020	541
Consumables	937	672
Subtotal	**6 001**	**5 308**

	2014	*2013*
Operating costs		
Travel costs	21 374	21 241
Communication costs	10 736	10 307
Learning and recruitment costs	16 971	13 989
Support services paid to United Nations agencies	6 912	7 591
Insurance/warranties	158	181
Rent, leases, utilities	14 931	14 992
Professional services	1 232	1 235
Freight costs	149	91
Other operating costs	3 602	673
General management costs	905	676
Subtotal	**76 970**	**70 976**
Depreciation		
Depreciation	2 371	2 013
Subtotal	**2 371**	**2 013**
Finance costs		
Bank charges	111	110
Subtotal	**111**	**110**
Other expenses		
Impairment and prior and current period write-offs	2 346	3 418
(Gains)/losses on fixed assets	59	52
Currency exchange losses	5 362	2 412
Stationery and other project expenses	4 021	4 168
Subtotal	**11 788**	**10 050**
Total expenses	**270 538**	**264 105**

Note 24
Financial risks

The investment activities of UN-Women are carried out by UNDP under a service-level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UN-Women. Investments are registered in the name of UN-Women with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

(a) Safety — preservation of capital, provided through investing in high quality fixed-income securities emphasizing the creditworthiness of the issuers;

(b) Liquidity — flexibility to meet cash requirements through investments in highly marketable fixed-income securities and through structuring maturities to align with liquidity requirements;

(c) Income — maximization of investment revenue within the foregoing safety and liquidity parameters.

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions have complied with the established investment guidelines. UN-Women receives a detailed monthly and quarterly investment performance report from UNDP which shows the composition and performance of the investment portfolio. The Director of Management and Administration and Chiefs of Accounts and Budget meet with the UNDP Treasury each quarter to review the investment portfolio performance of UN-Women and provide updated cash flow projections.

UN-Women is susceptible to a variety of financial risks arising from financial instruments to which the Organization is exposed, including:

(a) Credit risk — the possibility that third parties may not pay amounts when due;

(b) Liquidity risk — the likelihood that UN-Women might not have adequate funds to meet its current obligations as they fall due;

(c) Market risk — the possibility that UN-Women might incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities.

The tables below show the value of financial assets outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

	Held to maturity	*Available for sale*	*Loans and receivables*	*Fair value through surplus or deficit*	*31 December 2014*	*31 December 2013*
Cash and cash equivalents	–	–	19 226	–	19 226	54 728
Investments	349 011	–	–	–	349 011	254 932
Accounts receivable	–	–	8 313	–	8 313	15 069
Advances	–	–	36 964	–	36 964	42 609
Other assets	–	–	5 734	–	5 734	3 159
Total financial assets	**349 011**	**–**	**70 237**	**–**	**419 248**	**370 497**

Held-to-maturity financial assets are carried at amortized cost and at 31 December 2014, the market value of those assets was lower than book value by $0.124 million. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2014, UN-Women had no outstanding balances of financial assets classified as available for sale or fair value through surplus and deficit.

The tables below show the value of financial liabilities outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

	Other financial liabilities	*Fair value through surplus or deficit*	*31 December 2014*	*31 December 2013*
Accounts payable	5 830	–	5 830	23 453
Other liabilities	2 704	–	2 704	3 545
Total financial liabilities	**8 534**	**–**	**8 534**	**26 998**

As at 31 December 2014, UN-Women had no outstanding financial liabilities recorded at fair value through surplus and deficit. The carrying value of other financial liabilities is a reasonable approximation of their fair value.

Credit risk

UN-Women is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments, receivables from contributions, advances and other receivables.

UN-Women operates bank accounts in five currencies and in four countries, the United States of America, the United Kingdom of Great Britain and Northern Ireland, Sweden and Norway. For other currencies, UN-Women uses the bank accounts of UNDP and relies upon the risk management processes of UNDP. UN-Women is exposed to default risk of those financial institutions.

With regard to its financial instruments, the UNDP investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the investment guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns, supranationals, governmental or federal agencies, and banks. Investment activities are carried out by UNDP and UN-Women offices are not authorized to perform investment activities.

Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate credit risk of financial instruments. As at 31 December 2014, the financial investments of UN-Women were in investment grade instruments, as shown in the table below (presented using Standard & Poor's rating convention).

(Thousands of United States dollars)

31 December 2014	*AAA*	*AA+*	*AA-*	*A+*	*A*	*Total*
Term deposit	–	–	40 000	–	–	40 000
Money market instruments	–	–	–	–	–	–
Bonds	149 450	62 731	30 703	54 139	11 988	309 011
Total	**149 450**	**62 731**	**70 703**	**54 139**	**11 988**	**349 011**

31 December 2013						
Money market instruments	49 991	–	24 967	–	–	74 958
Bonds	89 926	62 714	25 262	–	2 072	179 974
Total	**139 917**	**62 714**	**50 229**	**–**	**2 072**	**254 932**

For other resources, the Financial Regulations and Rules of UN-Women require that expenditure be incurred only after receipt of funds from the donor, thereby considerably reducing the financial risk to the organization with regard to contributions receivable.

Liquidity risk

Liquidity risk is the risk that UN-Women will encounter difficulty in meeting its obligations associated with accounts payable, other liabilities and promised transfers of cash to programmes. UN-Women does not have significant liquidity risks, as its operations and investments are managed in accordance with its budget and with due consideration of cash requirements for operating purposes.

Investments are made with due consideration to cash requirements for operating purposes based on cash flow forecasting. The investment approach considers the timing of future funding needs of the organization when selecting investment maturities. UN-Women maintains a portion of its cash and investments in cash and cash equivalents (5 per cent) and current investments (46 per cent) sufficient to cover its commitments as and when they fall due, as shown in the table below and in notes 6 and 7.

(Thousands of United States dollars)

	31 December 2014	*Percentage*	*31 December 2013*	*Percentage*
Cash balances	3 539	1	1 928	1
Cash equivalents	15 686	4	52 800	17
Total cash and cash equivalents (net)	**19 226**	**5**	**54 728**	**18**
Investments				
Current investments	168 829	46	197 059	63
Non-current investments	180 182	49	57 873	19
Total current and non-current investments	**349 011**	**95**	**254 932**	**82**
Total investments cash and cash equivalents	**368 237**	**100**	**309 660**	**100**

Market risk

Market risk is the risk that UN-Women is exposed to potential financial losses owing to unfavourable movements in market prices of financial instruments, including movements in interest rates, exchange rates and prices of securities.

Interest rate risk

Interest rate risk arises from the effects of market interest rates fluctuations on:

(a) Fair value of financial assets and liabilities;

(b) Future cash flows.

The investment portfolio of UN-Women is classified as held to maturity which is not marked-to-market. Changes in interest rates do not have an impact on held-to-maturity book carrying values, and therefore changes in interest rates will have no impact on net assets and surplus or deficit reported in the financial statements.

UN-Women invests in United States dollar-denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2014, UN-Women had no outstanding floating rate fixed-income securities.

Foreign exchange risk

UN-Women is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

UN-Women receives donor contributions primarily in United States dollars, but also in a number of major currencies, including pounds sterling, the euro, the Swedish krona and the Norwegian krone. On an ongoing basis, UN-Women evaluates its need to hold cash and other assets in foreign currencies against its foreign currency obligations during the quarterly meetings with the UNDP Treasury. UN-Women has commenced a hedging strategy from March 2015.

At 31 December 2014, all investments of UN-Women were denominated in United States dollars. However, cash balances were held in several non-United States dollar currencies, representing 73 per cent of total cash balances.

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options to manage the Entity's foreign exchange exposure. These derivatives are marked-to-market with gains or losses recognized in surplus and deficit in the statement of financial performance. At 31 December 2014, UN-Women had no open derivative positions.

Other price risk

UN-Women is exposed to price risk arising from movement in the prices of financial instruments which might fluctuate owing to factors other than changes in interest rate or currency fluctuations. The conservative nature of the UNDP investment guidelines mitigates potential exposure to other price risk.

Note 25
Budget reconciliation

The statement of comparison of budget and actual amounts (statement V) is prepared in the same format as the original approved institutional budget 2014-15, with the additional inclusion of assessed contributions (regular budget activities). As

the financial statements are prepared in accordance with IPSAS and the budget is prepared on the modified cash basis, the reported financial results (actual) are adjusted to provide for a comparison to the budget as presented in the statement of comparison of budget and actual amounts. The main changes between the IPSAS financial results and the results on a budget basis relate to difference in the treatment of cost of assets and treatment of cash advances to partners and staff members.

The approved integrated budget is prepared and presented on a biennial basis. The year 2014 represents only the first portion of this budget.

(a) Assessed contributions 2014 — regular budget

There is minimal movement between original and final budgets since the allocations are made by the United Nations Secretariat and the Programme Planning and Budget Division of the Department of Management, based on the expectations of the full biennium. Any restatements based on extra requirements will be made during 2015. There was a negative variance of $0.8 million against this final budget in total expenses incurred owing mainly to lower staff numbers than full budget. In addition, utilization of the allocation is based on the biennium, so unutilized budget is rolled forward into the following year.

(b) Voluntary contributions 2014

(i) Programme

The original budgets were based on the original projections utilized within the 2014-2015 biennium budget, which in turn were based on projected total resources of $690 million in voluntary contributions for the period. Total voluntary contributions budgeted for 2014 were $310 million.

Total programme variances are $30.3 million, split as follows:

(a) Programme expenditures from regular resources are $10.1 million lower than the budget. For programmatic areas, budgets are updated throughout the year, taking into account current estimates of expenditure in line with authorized spending limits based on expected funding receipts and available resources. The budgets are aligned to the extent possible within these spending limits and the annual work plans. The differences between the planned and actual expenditures are to be expected since there has to be capacity to cover unexpected costs and carry funds over into the following year. Actual delivery rates for the core programme average 84 per cent, which is better than the strategic plan target;

(b) Programme expenditures from other resources are $20.2 million lower than the budget. This relates to specific projects, with the budgets being based on targeted revenue figures expected over the period. The delivery rates are about 86 per cent, which indicates a high level of budgeting accuracy and good utilization of resources. A number of programmes also budget over a multi-year period but show expenses only for the current year, in particular the global trust funds. This reduces spending against total budget and hence increases the variance.

(ii) Institutional budget (development effectiveness, United Nations development coordination and management activities)

The original institutional budget for 2014 is based on full staffing and full utilization of non-staff approved costs. The final 2014 budget shows some minor growth owing to increases in allocations during the year. The actual utilization rate of expenses against the institutional budget is 83 per cent. However, the budget rolls forward into 2015 and hence can still be fully utilized in the last period of the biennium.

Basis adjustments

The budget is prepared on the modified cash basis and the financial statements are prepared on a full accrual basis in compliance with IPSAS requirements. In order to reconcile the budgetary result with the cash flow statement, the non-cash elements are removed as basis differences. The principal adjustments that have an impact on the reconciliation between the budget and the statement of financial performance are as follows:

- Capital expenditures capitalized and depreciated over their useful life under accrual accounting (generally recorded as current year expenses in the budget);
- Under accrual accounting, employee benefit liabilities are reported in the statement of financial position, and movements in liabilities have an impact on the statement of financial performance;
- Unliquidated obligations are included in budget reporting but are not recognized under accrual accounting.

Timing differences

There are no timing differences in the reconciliation.

Presentation differences

Presentation differences are those differences in the format and classification schemes used in the statement of cash flow and in the statement of comparison of budget and actual amounts. As such, the presentation differences in the reconciliation relate to revenue.

Reconciliation: budgetary result with net cash flow

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on comparable basis, as presented in the budget and actual comparative statement	(262 552)	–	(262 552)
Basis differences	(10 356)	(95 482)	(105 838)
Presentation differences	332 888	–	332 888
Actual amount in statement of cash flow	**59 980**	**(95 482)**	**(35 502)**

Note 26
Related party transactions

Governing bodies

UN-Women is governed by an Executive Board on the basis of General Assembly resolution 64/289, which stipulates in paragraph 57 (b) that the Assembly, the Economic and Social Council and the Executive Board of the Entity shall constitute the multi-tiered intergovernmental governance structure for the operational activities and shall provide operational policy guidance to the Entity. The Executive Board comprises 41 members (elected from five regional groups and one contributing group), who do not receive any remuneration from UN-Women.

The Executive Board of UN-Women also engages with the Executive Boards of other United Nations operational entities in an effort to harmonize approaches to operational activities. Those engagements also provide opportunities for sharing experiences and coordinating programme work on gender equality and gender mainstreaming throughout the United Nations system. The work of the Executive Board is guided by its rules of procedure.

Key management personnel

Key management personnel are the Executive Director, two Assistant Secretaries-General and six senior Directors, as they have the authority for planning, directing and controlling the activities of the Entity and executing the mandate of UN-Women.

(Thousands of United States dollars)

Number of individuals	*Compensation and post adjustment*	*Entitlements*	*Pension and health plans*	*Total remuneration 2014*	*Outstanding advances*	*Outstanding loans*
9	1 799	36	738	2 573	61	–

The aggregate remuneration paid to key management personnel includes: net salaries; post adjustment; entitlements, such as allowances, grants and subsidies; and employer pension and health insurance contributions. Advances are those made against entitlements in accordance with staff rules and regulations. As at 31 December 2014, after-service health insurance and repatriation benefits for key management personnel included in employee benefits liabilities amounted to $4.7 million, as determined by actuarial valuation.

Note 27
Commitments and contingencies

(a) Open commitments

As at 31 December 2014, commitments of UN-Women for the acquisition of various goods and services contracted but not yet received amounted to $5.308 million.

(b) Lease commitments

As at 31 December 2014, UN-Women had future obligations for minimal lease payments as presented in the table below.

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Obligations for property leases:		
Within 12 months	7 314	6 152
1-5 years	23 595	19 819
Beyond 5 years	5 412	10 862
Total property lease obligations	**36 321**	**36 833**

The typical contractual leases of UN-Women are between 1 and 10 years, but some of the leases permit early termination within 30, 60 or 90 days. The lease for headquarters at the Daily News Building allows for termination seven years after commencement where UN-Women has no other office within the United States and makes a cancellation payment of $3.153 million. Leases often include provisions that allow for multiple renewals and are at rates considerably lower than the existing market rates. The aggregate difference between the leases at contract rates and their respective market rates is recognized as contribution-in-kind revenue.

(c) Legal or contingent liabilities

As at 31 December 2014, UN-Women had one pending claim before the United Nations Dispute Tribunal. Owing to the uncertainty of the outcome of the claim, no impairment or allowance for loss has been recorded in these financial statements, as the occurrence, amount and timing of any outflow is uncertain. The resolution of the pending proceedings will not have a material effect on the financial position or cash flows.

Note 28
Events after the reporting date

The reporting date of UN-Women is 31 December of each year. The date of certification and transmittal of the financial statements is 30 April of the year after the financial year end. On the date of signing these financial statements, there had been no material event, favourable or unfavourable, that had occurred between the balance sheet date and the date on which the financial statements were authorized for issue that would have affected the present statements.